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CREDIT AND CAPITAL MARKETS® 1983

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CREDIT AND CAPITAL MARKETS® 1983

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CREDIT AND CAPITAL MARKETS® 1983

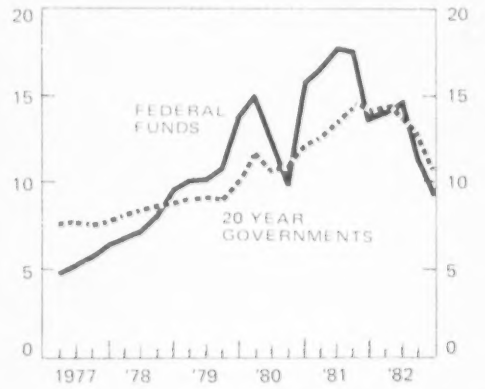
Each year seems to find the credit and capital markets facing greater uncertainties than the one before and 1983 is no exception. The primary concern relates to how the financial markets will contend with another big jump in Treasury borrowing this year in a climate of emerging economic recovery. But, there is also more than a little confusion over the course of monetary policy in the prospective fiscal and business environment, faced with a vulnerable international debt situation and existing political pressures. Meanwhile, the recently acquired ability of thrift institutions and commercial banks to compete with the money market funds is prompting shifts in the flow of savings, the implications of which are as yet far from clear. And the still fragile state of many corporate balance sheets and the other visible imprints left upon the nation's financial institutions, businesses and consumers by economic and financial developments in 1982 are bound to influence borrowing and investing decisions for a while at least.

For the time being, the still very weak economy and the encouraging progress which continues to be made in slowing the price advance, as well as historical experience, would imply additional easing of credit market conditions and some further decline in interest rates in 1983. However, there is no precedent in recent American financial history for assessing the impact on the money and capital markets of absorbing the mammoth Government borrowing in sight for this year, with the seemingly certain likelihood of even bigger Treasury financing demands in the period beyond; normally during economic recoveries the Federal budget deficit begins to shrink, thereby freeing up funds for the private sector. Clearly, investor confidence has yet to be restored and the limited growth in savings that is in sight for this year and existing institutional investment practices and preferences afford little grounds for complacency that financial markets can remain in a comfortable position once the economy is clearly on the road to recovery.

THE PRESENT ENVIRONMENT

While in many respects conditions in the credit and capital markets today bear a familiar resemblance to earlier periods when the economy was just emerging from recessions, there are significant differences as well. Not only was monetary policy much slower to ease and money market rates and bond yields much later in coming down in response to the 1981-82 business downturn, but in real terms, interest rates remain at unprecedentedly high levels. Even so, long-term investors have yet to display the enthusiasm for lengthening security portfolios usually exhibited with the return to an upward sloping yield curve. What is important, too, is that major credit and capital markets are characterized by more stresses and strains than is typical at this stage of a business cycle.

RATES AND YIELDS
PER CENT

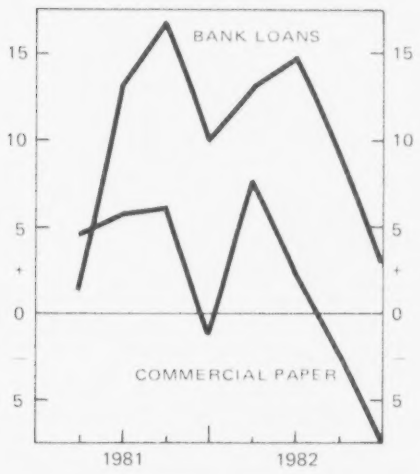


Still, the extent and speed of the fall in interest rates since the summer has brought striking changes both in the pattern of financing and in flows of funds through the money and capital markets. Together with the course of the economy and fiscal and monetary developments, these changes will be important in influencing the financial markets and investment policies moving through 1983.

Changed Financing Patterns A most important outgrowth of the fall in interest rates last year and the accompanying move to a more relaxed financial environment is the shift that has taken place in the compositon of private-sector financing, especially by nonfinancial corporations. Throughout the first half of 1982 and into the summer, most businesses were anxious to avoid being saddled for years with the prevailing high cost of long-term financing. Therefore, faced with top-heavy inventories, large tax payments and a severe

squeeze on their cash flows, they continued to rely heavily on short-term borrowings, primarily from banks and—in the case of those companies with top credit ratings—the issuance of commercial paper. Indeed, the growth in bank loans to business and in commercial paper outstanding early in 1982 was more characteristic of a period of rapidly expanding economic activity than of severe recession. Only borrowing from finance companies slackened noticeably in reaction to the continuing business downturn, and this primarily because of the substantially reduced need of automobile dealers to finance their inventories of new cars; finance companies, in turn, cut back on their bank borrowing and issuance of open market paper.

SHORT-TERM BUSINESS BORROWING
IN BILLIONS OF DOLLARS

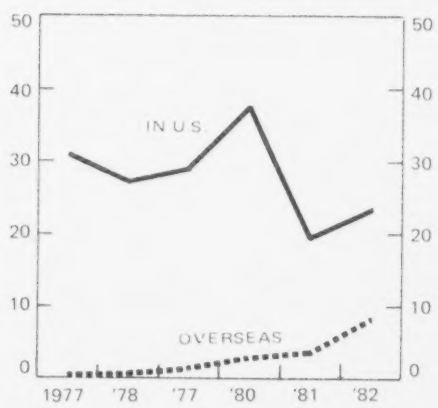


In recent months, however, the move away from short-term financing has become more general. The volume of commercial paper outstanding fell by over $20 billion between last July and December and commercial and industrial loan demand at banks also eased in the latter part of 1982, after rising by close to $30 billion in the first six months. As a result, open market paper last year expanded by less than one fourth the amount it did the year before and bank loans to business grew only a little over half as much, while there was no growth at all in finance company lending. In large part, the falloff in business short-term credit demands late last year stemmed from the substantial working down of inventories and receivables—along with a slackening in the pace of merger and acquisition activity. But in no small measure the easing was attributable to many companies shifting to long-term financing.

Corporate Bond Market With a sizable backlog of offerings already registered with the SEC and on the "shelf," the long-awaited drop in bond yields led to a wave of corporate bond financing late last summer and during the autumn. The $26 billion of corporate long-term debt issued during the second half of 1982 far exceeded the modest volume of bond flotations in the first six months, and for a time in October and November new offerings reached a floodtide before abating toward year end. More importantly, the bulk of these offerings were domestic issues, whereas early in the year roughly two-thirds of the bond financing was via Eurobonds because the cost of borrowing was lower and investor interest abroad was greater.

The sharp step-up in bond financing came from a wide range of manufacturing companies and, in addition, there was a jump in offerings by bank holding companies and finance companies. Most of these bonds were publicly offered, owing to the still limited appetite for private placements, and a somewhat larger proportion than earlier in 1982 was conventional issues. In all, just over $32 billion in net new funds was raised last year by nonfinancial and financial corporations combined through the issuance of bonds, or 40 per cent more than the year before.

CORPORATE BOND FINANCING
IN BILLIONS OF DOLLARS



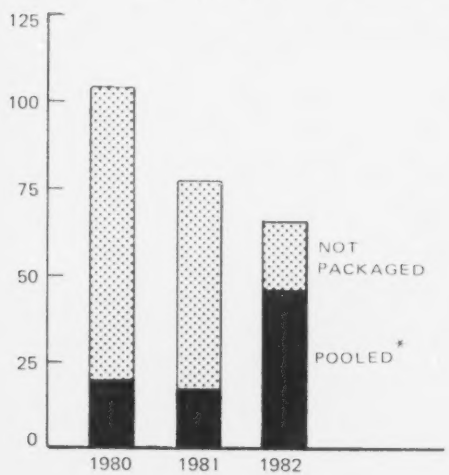
Though there was also a step-up in equity financing late last year, surprisingly, in view of the pressing need of many companies for capital, corpora-

tions overall obtained only a slightly larger amount of net new money from the sale of common and preferred stock. While another sizable volume of gross new issues was brought to market by quite a range of industries, these were for the most part offset by heavy retirements and by purchases of stocks in connection with the still large number of company mergers and take-overs.

Commercial mortgage financing, moreover, was cut back considerably during the course of 1982, as the office building boom began to peter out and other types of commercial construction were curtailed by the recession. In addition, farm mortgage financing declined last year, reflecting the dwindling interest in acquiring farm property because of the continued reduction in agricultural income, falling land prices and the existing heavy burden of farm debt.

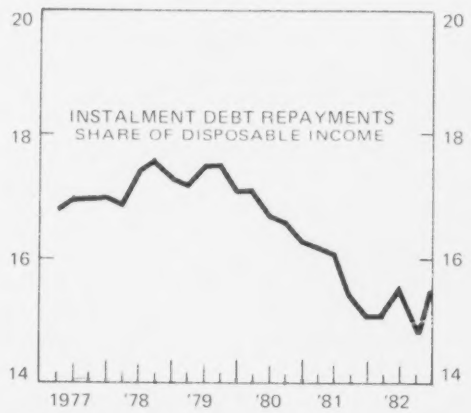
Household Borrowing The lowering of interest rates, however, spurred borrowing by individuals and households in the course of 1982, though on a limited scale. The reduced cost and increased availability of mortgage money contributed both to a pickup in homebuilding in the autumn and to an increase in sales of new houses and a greater turnover of existing houses. The increase in home mortgage financing in the latter part of the year, though, was not sufficient to overcome the weakness during the first half, when mortgage money was so expensive and its availability so restricted that funds for the purchase of houses were being provided by builders and other non-traditional sources. Thus, for last year as a whole, home mortgage debt expanded by the smallest amount in over six years. Mortgage credit extended on multifamily dwellings, on the other hand, grew by more last year, as conversions to cooperative apartments and condominiums added to the need for financing. Although the volume of mortgage pass-through activity more than doubled in 1982, this went more to shore up the liquidity of the savings and loan associations than to provide new money for home financing.

RESIDENTIAL MORTGAGE INVESTMENT
IN BILLIONS OF DOLLARS



* GNMA, FNMA AND FHLMC MORTGAGE POOLS.

BURDEN OF CONSUMER DEBT
IN PER CENT

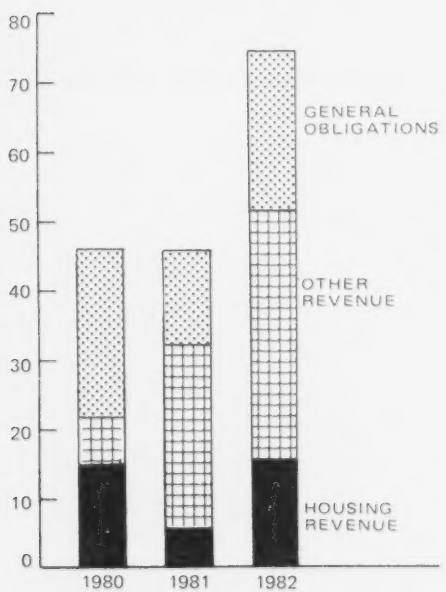


Consumer credit was slower to react to the general decline in market interest rates than home mortgage financing. Unlike in earlier periods of falling interest rates, the rates charged on instalment loans, charge accounts and credit cards were reduced little, if at all, until late in the year. This, in combination with the increasing concern over job security caused by the high and spreading unemployment, made many people reluctant to borrow regardless of their financial situation. The use of consumer credit was stepped up late in 1982 when sales of new cars strengthened. Even so, the net growth last year was the smallest in a number of years, except for 1980, when the imposition of credit controls resulted in a dramatic falloff in consumer borrowing; at $12½ billion, the expansion was half the amount in 1981. Individuals also reacted to the fall in interest rates last year by borrowing some $2½ billion less against their life insurance policies.

The Public Sector By contrast, financing by both municipal governments and by the Treasury took a giant leap upward during 1982. The amount of municipal bond financing, in fact, was nothing short of spectacular, especially during the closing months of the year. Unlike in the other long-term debt markets, the high interest rates did not retard the issuance of tax-exempt securities during the spring, and thereafter, volume was maintained at peak levels, despite a cutback in state and local construction programs. In the autumn, municipal financing accelerated to a truly astonishing pace with housing bonds leading the way but with almost all types of tax-exempt issues registering significant gains over the previous year, and the volume of offerings did not recede appreciably until the very end of the year. All told, net new state and local financing increased more than $24 billion in 1982, or by over 70 per cent.

The surge in municipal financing in the final quarter of the year was in part a reaction to the decline in interest rates and to the very favorable reception given the new offerings by the market. But important, too, was the pressure created by the announced Treasury deadline of January 1, 1983 for requiring that all municipal bonds be issued in registered form, which produced a raft of new offerings to get in under the wire. In addition, with the reduction in borrowing costs many states and municipalities undertook to refinance some older issues carrying higher interest rates.

MUNICIPAL BOND ISSUES
IN BILLIONS OF DOLLARS



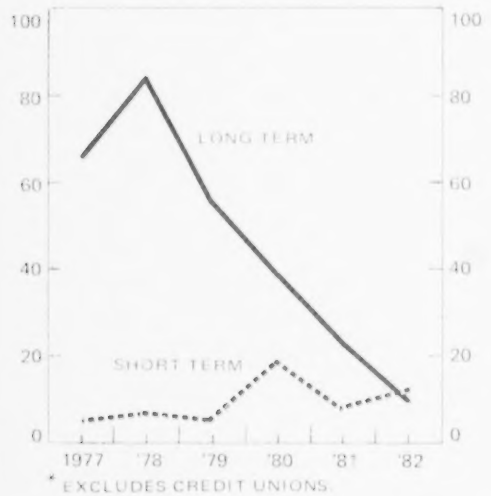
Much less unexpected, but nevertheless just as dramatic, was the tremendous size of the Treasury's financing in 1982, as the lingering recession took its toll on Federal revenues while at the same time contributing to higher Government expenditures. Altogether, the Government had to raise over $160 billion of net new money from the public last year in covering the budget deficit and satisfying the borrowing needs of the off-budget Federal agencies, a whopping $74½ billion more than in the preceding year, with over one-third of this coming in the final three months of the year. In meeting its enormous financing requirements, the Treasury was forced to tap the full range of maturities for sizable amounts of money, thereby dominating the money and capital markets throughout the year.

Of the Federally sponsored agencies, only Fannie Mae sharply increased its financing last year, raising nearly $8 billion more than in the previous year, though Sallie Mae (Student Loan Marketing Association) also borrowed in the public market during 1982 whereas in prior years its financing was done almost entirely through the Federal Financing Bank. Elsewhere, agency financing fell well short of the amount in 1981, with the Federal home loan banks borrowing as much as $14 billion less and financing by the Farm credit agencies totaling only a bare fraction of what it had been the year before.

Supplying the Funds The decline in interest rates last year did not give rise to quite the same results on the supply side of the money and capital markets as in previous recessions. Particularly noteworthy was that the savings and loan associations and mutual savings banks failed to experience a strong and sustained pickup in their deposit growth during 1982. In December, however, a large inflow of funds resulted from the introduction of the new money market accounts permitted under the deregulation legislation, which enabled the savings institutions to compete with the money market mutual funds. Consequently, although for last year as a whole the savings and loan associatons had a good deal more funds to invest than in 1981, they did far less mortgage lending, both residential and commercial. The

S&Ls expanded their consumer lending, but most of the remainder of their investible funds went into liquid assets. And in the case of the mutual savings banks all of their somewhat larger supply of funds was invested in liquid assets.

INVESTING BY THRIFTS*
IN BILLIONS OF DOLLARS



* EXCLUDES CREDIT UNIONS.

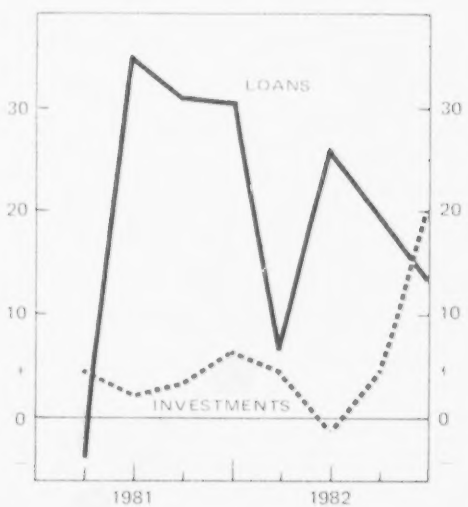
While still sizable, the growth of the money market funds through eleven months was only about half as rapid as the year before, and, when the thrifts and commercial banks began offering their new competitive accounts, the money market funds actually lost funds; in December, they reported a rundown of some $20 billion in their assets, which reduced their growth for the full year to $38 billion, one-third the record expansion in 1981. However, the unit investment trusts, which invest all of their funds in state and local government securities, continued their phenomenal expansion last year, recording an increase of nearly $14 billion, compared with just under $6 billion the preceding year. Also, sales of equity funds, which were comparatively strong throughout 1982, spurted late in the year in the wake of the big advance in the stock market.

Other Institutional Investors Because of the recession, the life insurance companies and pension funds—private noninsured and public alike—did not have much more money to invest last year than they did the year before. All the same, both the life companies and pension funds responded to the general reduction in interest rates and to the subsequent change in the slope of the yield curve—and, in the case of the life insurance companies, to a reduction in policy loans—by cutting back on their acquisition of liquid assets and stepping up their takings of corporate and Government bonds and other long-term fixed assets. They both also increased their stock purchases.

The property insurance companies, which were hit hard during 1982 by continued underwriting losses, on balance, found their investible funds essentially unchanged. They therefore continued with the practice of placing fewer funds in the municipal bond market than in years past, though still using this as their main investment outlet; many company managements opted to lock in the high available tax-exempt yields. Because taxable income was more attractive, the fire and casualty companies purchased corporate and Government bonds. In contrast with the other contractual-type savings institutions, they did not put more funds into the stock market, and they added to their liquid asset holdings.

Commercial Bank Credit Not only did the expansion in earning assets of commercial banks in 1982 turn out to be smaller than the year before, but the mix underwent a significant change during the course of the year. Through the first half, almost all the growth was in loans, largely to corporate businesses. Only very small additions were made to bank holdings of Government securities.

BANK CREDIT EXPANSION
IN BILLIONS OF DOLLARS



and, surprisingly for a period of recession, the banks also purchased few municipal securities, despite the attractive yields available. With the softening of business loan demand late in the year, the banks sharply stepped up their purchases of Treasuries and, spurred by a change in the tax law which made tax-exempts acquired before the end of 1982 more attractive than those obtained later, they added a small amount to their municipal portfolios as well.

With the softening in loan demand, the banks also reduced their outstanding CDs in the latter part of last year, and with the introduction of the new money market type accounts in December, they experienced a sizable increase in their savings deposits.

There were several other noteworthy developments on the supply side of the credit and capital markets during 1982. First, individuals more than doubled their purchases of Government securities and also appreciably stepped up their takings of municipal bonds. Secondly, foreign investors early in the year proved to be the main source of corporate bond money through their buying of Eurobonds. And finally, the state and local general funds wound up last year with very large holdings of Treasury securities, owing to the record volume of funds from municipal bond sales which had to be invested temporarily.

THE ECONOMIC SETTING

The credit and capital markets, then, are starting 1983 on a far different note than that on which last year began because of the fact that interest rates are much lower, and more and more, it is looking as though a turnaround in business activity is at hand. Therefore, the economic climate in which the financial markets will be functioning this year stands to differ noticeably from the one which we have just passed through.

Overall View The specific assumptions underlying the financial projections for 1983 shown on the attached tables and our assessment of the flows of funds through the money and capital markets this year are as follows. It is expected that the economic recovery will be slow in taking hold and will prove subpar by historical standards. Real growth this year is projected to be around 2 per cent, compared with a decline last year of 1.8 per cent. In view of the record amount of unused manufacturing capacity and the highest unemployment rate in over 40 years, the inflation performance should again be very good—in the range of 5 per cent.

Credit Impact As for the major credit-using sectors of the economy, housing starts this year are estimated at 1.45 million units, roughly 400 thousand above the depressed 1982 figure. New-car sales, including imports, are projected at something over 9 million units, a gain of about 15 per cent from the 1982 total, with consumer purchases of other big-ticket durable goods also rising, though by less than automobiles. Following last year's record runoff, business inventories, on a book value basis, are seen as increasing by $12 billion. But plant and equipment spending by industry is expected to decline slightly again in 1983.

Monetary Policy The expectation with regard to monetary policy is that the sustained good performance on the inflation front, in combination with the soft industrial sector of the economy and continued concern over the international debt situation, will prompt the Federal Reserve to continue for a time to give a high priority to fostering economic recovery and avoiding undue financial pressures. However, after the signs of economic recovery become widespread, the monetary authorities will probably begin to take up some of the current slack in the credit reins in order to maintain their credibility in the financial markets. We are projecting commercial bank credit to expand about $107 billion in 1983, or by around 12 per cent more than last year.

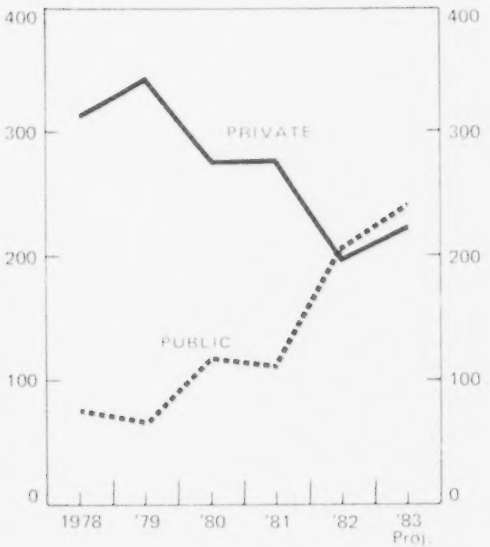
DEMAND AND SUPPLY IN 1983

Though the year is starting with the economy still obviously weak, even a gradual pickup in business activity can be expected to give rise to both increased private sector demands for financing, and a change in their composition. Whereas for this year as a whole short-term borrowing by business is seen as declining further, the growth of consumer credit is projected to be considerably larger. Similarly with investment funds, the increase in corporate bond and equity financing that is foreseen will more than compensate for cutbacks in term lending at banks and commercial mortgage financing. And the expansion in residential mortgage debt is sure to be greater in 1983.

At the same time, total demands placed on the money and capital markets by the public sector

are again projected to be rising, albeit not to the extent they did in 1982. Treasury financing will take another big jump. Borrowing by states and municipalities will again be very large, though falling short of the record last year. Also, the already reduced volume of funds raised by the Federal agencies is unlikely to decline much more.

DEMANDS FOR CREDIT
IN BILLIONS OF DOLLARS



The change in the economic climate will bring some important shifts on the supply side of the credit and capital markets as well. For a change, the thrift institutions should have considerably more money to invest, while the growth in the money market funds is likely to contract further. All of the contractual-type savings institutions—the insurance companies and pension funds—will have larger amounts of funds to invest this year than in 1982. Likewise, the expansion in commercial bank credit during 1983 is projected to be larger than last year.

Further, the assumption made here is that this year, foreign investors—non-official and official combined—will be larger investors in American securities, but of a different type. Still, our projections indicate a need for individual investors and others again to supply very sizable amounts of funds to the credit and capital markets in order to satisfy the increased financing demands, a unique situation for the early stage of an economic recovery.

Short-Term Credit The case for anticipating a continued falloff in business demands for short-term credit in 1983, particularly during the early part of the year, is quite persuasive. With an upturn in economic activity, many corporations will enjoy larger internal cash flows from the reversal of last year's severe profits squeeze and from larger depreciation allowances, also with aggregate profits down so sharply during 1982, most companies will not be faced with the big tax payments they had to make last year. Meanwhile, additions to manufacturing and trade inventories and other working capital requirements are not likely to be rising rapidly, and capital spending is unlikely to become a drain on cash before very late in 1983. At the same time, corporations, to the degree possible, can be expected to continue restructuring balance sheets and rebuilding liquidity through funding short-term debt.

Business borrowing from commercial banks, accordingly, is seen as falling well short of last year, although no large net paydowns of bank loans, as happened in the wake of the 1974-75 recession, are anticipated. In all likelihood, though, the issuance of open market paper—commercial paper and bankers' acceptances combined—by nonfinancial corporations will probably increase somewhat after the sharp cutback last year, and given recent changes in the regulations allowing bankers' acceptances to be used in financing domestic trade. With a pickup in business activity and some improvement in new-car sales, finance companies will probably be called on to provide more financing to industry. And there is likely to be at least some expansion in trade credit to accompany the increased volume of business activity. Altogether, short-term borrowing by corporate and noncorporate business combined is projected to amount to only $5½ billion less than in 1982.

Consumer credit, however, will surely expand considerably more in 1983, mostly as a result of the higher level of automobile sales, but also because of stepped-up consumer purchases of other big-ticket durable goods and greater use of charge accounts and credit cards. Consumer credit is projected to grow by around $25 billion, or more than double the amount last year. While individuals are again expected to slow their borrowing against life insurance policies, the cutback will probably be much smaller than in 1982. Thus, the total of all short-term funds raised, (including loans by Federally sponsored Government agen-

cies to the farm sector), is put at $63½ billion, a rise of $8 billion from last year.

The Capital Markets Since the cost of long-term borrowing is down, at least in nominal terms, and only limited headway was made last year by most companies toward strengthening their balance sheets and shoring up badly depleted liquidity positions, it is quite likely that 1983 will see a larger volume of corporate bond financing. The amount, however, is expected to fall short of setting a record. Many small and medium-sized companies are still unable to turn to the bond market for financing and will rely on term loans from commercial banks as a source of long-term funds. Also likely to hold down the growth in corporate bond financing this year is the fact that a number of capital-intensive industries, such as steel and mining, have reduced their investment expenditures sharply. Similarly, public utilities are not pressing ahead with new construction programs. And AT&T will probably not need to do any public debt borrowing at all this year.

SHORT-TERM VS. LONG-TERM DEBT
MANUFACTURING CORPORATIONS
IN PER CENT

Among financial concerns, neither the commercial banks nor the finance companies are likely to repeat last year's big surge in bond offerings after the window reopened. Taking nonfinancial and financial corporations together, we have projected net new bond financing in 1983 to amount to $37½ billion, some $5 billion more than last year, but still about $3 billion shy of the 1980 peak.

In view of today's more receptive stock market, corporations generally will surely be raising a larger volume of funds through the sale of common and preferred stock. Not only is there clearly a need to improve debt-to-equity ratios, but company managements will be pressing to control their fixed costs, including the cost of debt service. Accordingly, gross new stock offerings in 1983 will probably surpass the very large 1982 figure, and since it is doubtful that merger and acquisition activity will be as much of an offset as last year, net new funds obtained through equity financing is projected to amount to $6 billion, double the 1982 volume.

Mortgage Financing Demand for commercial mortgage credit, in all probability, will be curtailed further this year, since office building and other commercial construction have been cut back. Likewise, with the squeeze on agricultural income persisting and the farm debt burden a problem, farm mortgage credit extended doubtless will be pared back some more. However, residential mortgage lending is projected to expand by $23 billion in 1983 because of the need to finance the increased volume of housing starts and more sales of existing homes. In total, the net expansion of mortgage credit this year is put at about $110 billion, or $20½ billion more than in 1982.

Municipal Bond Offerings It is difficult to envision the volume of municipal bond financing in 1983 equaling last year's remarkable total, even though the tax-exempt market has amply demonstrated its ability to absorb a tremendous amount of new offerings. For one thing, there is not likely to be another rush of new offerings, as occurred in the final quarter last year, which was influenced by fear of the discontinuance of issuance of bearer bonds. What will also be important is that credit quality has emerged as an issue in the municipal bond market recently. Still the volume of housing bonds should again be large and the environment will remain conducive to the refunding of outstanding issues floated earlier at higher interest rates. Weighing these different considerations, we have projected new municipal bond financing in 1983 at $49 billion, down only $5 billion from last year and an extraordinarily large figure.

Government Borrowing At this point, the size of the Treasury's new money needs in 1983 remains a matter of much conjecture in the financial markets and elsewhere. But clearly, Federal borrowing will be considerably larger than in 1982. We are projecting that in covering the record and escalating budget deficit in sight and in meeting

the needs of the off-budget agencies, which are handled through the Federal Financing Bank, the Government will have to raise at least $200 billion this calendar year, some $40 billion more than last year. As in 1982, the increase in the Treasury's borrowing requirements will be the major influence in the credit and capital markets this year.

Though the overall financing requirements of the Federal agencies will be slightly reduced, trends will be mixed. The farm credit agencies as a group will probably have to raise more money in the market during 1983, primarily because of the need of the banks for cooperatives to replenish their assets, and Sallie Mae probably will do more debt financing, though that agency is exploring the issuance of stock and pass-through securities. On the other hand, both Fannie Mae and the Federal home loan banks are likely to reduce their financing as the thrift institutions begin both to attract more funds and play a bigger role in the residential mortgage market.

INVESTMENT POLICIES IN 1983

Against this background of expected private and public sector financing, it can be anticipated that the cyclical tendency of many investors to lengthen portfolios will continue for at least part of this year. But changing economic and financial conditions will probably occasion some shifts in investment practices as well.

Savings Institutions Perhaps the most striking change in sight is that after two consecutive years of deposit erosion, which forced them to sharply alter their lending and investing and to worry about their liquidity, the thrift institutions will again play an active role in the investment markets. As a result of the generally lower interest rate environment and their ability now to offer accounts which effectively compete with the money market funds, both the savings and loan associations and mutual savings banks are expected to enjoy respectable deposit inflows during 1983.

Although neither the S&Ls nor the savings banks are likely to become nearly as aggressive in their lending as during the early stages of prior economic recoveries, the savings and loan associations are seen as making much larger net additions to their mortgage portfolios, both home and commercial, now that new mortgages are again being written at profitable rates. The S&Ls are also likely to extend more consumer credit this year and place a fairly sizable amount of funds in Government securities. The savings banks should do some home mortgage lending this year as well, after being essentially out of the market during 1982, and they will probably acquire a modest amount of corporate bonds and a somewhat larger volume of Treasury securities. The credit unions, which were under less pressure last year, are expected to use the bulk of their larger supply of funds to expand consumer lending, though they are likely to purchase a small amount of Government securities.

Investment Companies Faced with stiff competition from the new money market accounts being offered by thrift institutions and commercial banks, the money market funds are likely to have less funds to invest. Nevertheless, the recent runoff in assets will no doubt subside and then perhaps reverse itself, particularly since the money market funds fill some investment needs different from the money market accounts. For 1983 as a whole, we have projected the growth of the money market funds at around $26 billion, $12 billion less than last year. The unit investment trusts, however, are expected to grow more in 1983 because of the continuing strong interest in tax-exempt income, as are the conventional mutual funds, because of renewed public interest in investing in the stock market. This adds up to an asset growth of $50 billion for all investment companies, only $9 billion less than in 1982.

Insurance Industry Even with the reduced attraction of life insurance and strong competition from other savings media, the life insurance companies should have larger cash flows to invest this year than last, as premium receipts are likely to increase faster than in 1982. Therefore, with an upward sloping yield curve, inflation having slowed, and less need to be concerned over policy loans than in several years, life insurance portfolio managers can be expected to continue to acquire long-term fixed income obligations. We are projecting that they will add considerably more to their corporate bond portfolios, increase their takings of commercial mortgages and purchase somewhat more Government securities. They are also likely to acquire a greater amount of common stock than in 1982.

The property insurance companies continue to be plagued by problems—increased claims, higher

operating expenses and a lag in premium income because of the keen rate competition. Their earnings are expected to remain under pressure in 1983, but premium growth should at last turn the corner, resulting in a moderate increase in investible funds. With less taxable income, the fire and casualty companies can be expected to step up their takings of corporate bonds, acquire slightly more Government securities, and become considerably more active in the stock market. While tax-exempt securities will continue to be their main investment outlet, purchases will likely be down from last year.

Pension Funds The shift that took place last year in the investment policies of the private non-insured pension funds stemmed not only from the decline in interest rates and the changing slope of the yield curve, but also by a slowdown in the growth of their investible funds which resulted from reduced contributions from some employers in response to the recession. With a resumption of contributions this year and more funds to invest, the private pension funds should remain large-scale purchasers of corporate bonds and stay active in the stock market. Also, private pension funds are seen as purchasing a record amount of Government securities this year because of the liquidity they offer, and for trading purposes.

Though the state and local retirement funds experienced some slackening in their pace of contributions last year as a result of the impact of the recession, they nevertheless again enjoyed good growth in their investment funds which led them, for the most part, to persist in established investment strategies. In all probability, investment policies in 1983 will resemble closely those in 1982. With more money to invest, the public retirement funds almost certainly will add to their portfolios of corporate bonds and equities, and will probably display continued interest in GNMA securities, as well as acquire more mortgages directly. In addition, the state and local retirement funds are expected to purchase a sizable volume of Treasury obligations.

Likewise, state and local governments are again likely to place a considerable amount of money in Government securities, this time derived from large advance refundings.

Banking System The increase of $11 billion over last year in commercial bank credit expansion projected for 1983 is anticipated to be accounted for entirely by larger additions to investment portfolios. Consumer and mortgage lending, which were cut back appreciably in 1982, should increase much more this year, but business loans will expand considerably less. At the same time, the commercial banks are seen to be very much more active—twice as big—buyers of Government securities. But the banks are expected to make only slightly larger acquisitions of tax-exempt obligations. The reason for the still limited takings of municipals is that some banks will not have as much need for tax-exempt income this year, while many others will continue to use additional means of obtaining tax-exempt income, such as through leasing. Additionally, the flurry of purchases at year-end to beat the TEFRA (Tax Equity And Fiscal Responsibility Act of 1982) deadline allocated some acquisitions to 1982 that might otherwise have shown up in 1983.

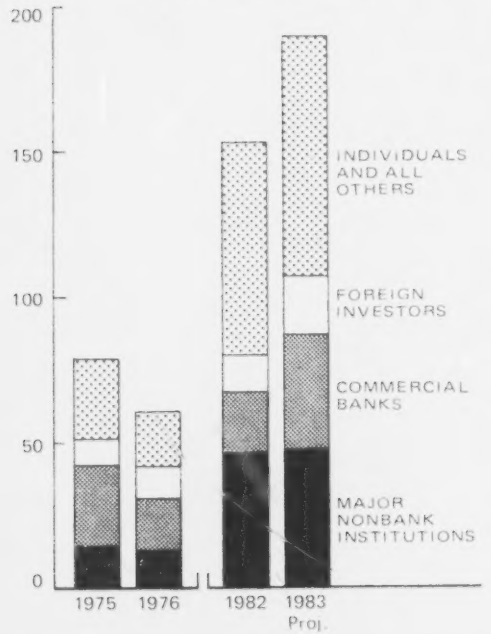
IMPLICATIONS FOR MARKETS

The accompanying projections of enlarged financing demands, particularly the awesome volume of Treasury borrowing, balanced against the apparent supply of funds available for investment, point to the development of some pressures in financial markets during the course of 1983, notwithstanding the prospect of a comparatively sluggish economy and a sustained good performance on inflation. Such pressures doubtless will be mirrored in the behavior of interest rates.

Pressure Points Accommodating the Government financing in the offing this year will require a doubling of commercial bank purchases of Treasury securities, to where they account for over one-third of the expected total growth in earning assets, increased takings by all of the major institutional investors, unprecedented acquisitions by state and local government general funds, a significant step-up in buying by foreigners and record participation—larger than in 1982—by the public in the Government securities market. It is not without significance that individuals and other non-institutional investors, by our estimate, will have to acquire over $65 billion—or more than a third—of all the Government's net new offerings this year, and this after they have just purchased something approaching $60 billion of Treasury securities in 1982. Also cause for reflection is that in the first year of recovery following the 1974-75 recession Treasury financing receded, rather than jumping

upward again, as will be the case this time. It is well to keep in mind, too, that normally individuals step up their buying of Government securities appreciably only in response to some incentive, generally interest rates that are attractive.

PURCHASERS OF TREASURY DEBT
IN BILLIONS OF DOLLARS



Digesting the enormous Government financing can be expected to impact on other markets with which Treasury securities compete directly, most notably the corporate bond market, where new issue volume also promises to be a good deal heavier this year than last. Although the insurance companies and pension funds are likely to continue making substantial purchases of corporates, their enthusiasm could well be dimmed in the course of the year as Treasury issues flood the market. To a considerable extent today, institutional bond purchases are for trading purposes, and, where this is so, the Government securities market offers some advantages because it is broader and offers greater liquidity.

Since so much of the support to the municipal bond market this year is expected to come from individual investors, it could be affected by the record Government financing, which also will be heavily dependent on individual buyers. Not only is the volume of new tax-exempt offerings again expected to be extremely large, but this market will not enjoy great interest from its former mainstays—the property insurance companies and commercial banks. Another cloud hanging over the municipal market in 1983 is growing investor concern over credit quality.

Interest Rate Impact In the absence of the Government's staggering financing requirements, it would be reasonably safe to conclude that both money market rates and bond yields would drift lower through much, if not all, of 1983, given the weak condition of the economy and the impressive headway being made on the inflation front. Slack business demands for short-term credit, which, together with the ongoing efforts of corporations and others to rebuild liquidity, would keep downward pressure on money market rates, at least for a time. Meanwhile, bond yields would be pulled down by investors continuing to extend the maturity of their security portfolios.

In view of the amount of Treasury financing, however, the room for further declines in interest rates seems limited, and some firming, especially in bond yields, could well develop as business activity picks up. The Federal Reserve, rightly, seems determined not to pump up the money supply in efforts to stimulate economic recovery as it did in 1980 and coming out of the 1974-75 recession; to do so would only prove counterproductive in the present environment. Moreover, in appraising the outlook for interest rates, particularly long-term rates, there is the matter of investor psychology, which already is being perceptibly affected by the contemplation of the impending Government borrowing.

Unless convincing action is taken soon by the Administration and Congress to effect a meaningful and sustained reduction in the size of the Federal budget deficits in the years beyond 1983, market participants will remain apprehensive about the longer inflation outlook and become cautious about acquiring long-term obligations. Given the obvious sensitivity of financial market participants to developments concerning the Federal budget situation, as well as to economic events, interest rates could prove more volatile during 1983 than is now generally anticipated ■

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Technical Note to Tables

The summary tables 1, 2 and 3 include in "total uses" only funds raised by the nonfinancial sectors. Funds raised by financial intermediaries, whether through marketable instruments or by bookkeeping entries, have been excluded. "Total gross sources" also shown in these tables does include funds provided to the financial intermediaries through the credit markets; however, these funds are then deducted in order to arrive at "total net sources."

The financial intermediaries include insurance companies, pension funds, thrift institutions, investment companies, finance companies, real estate investment trusts, commercial banks and federally sponsored credit agencies. The proliferation of these financial intermediaries and their increasing financing through the use of marketable debt and equity instruments have pointed up their important role in channeling credit into alternative uses. These activities do not, however, add to the total available supply of, or the total demand for, credit.

When financial intermediaries raise funds in various markets, they obviously compete with the nonfinancial sectors for the available supply. In order to take full account of pressures in these markets, total funds raised shown in the tables dealing with specific markets, i.e., corporate stock, corporate bond, open market paper and Federal agency, include funds raised by the financial intermediaries.

SUMMARY OF FINANCING — TOTAL FUNDS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Investment funds	186.4	219.1	235.7	232.2	191.7	198.5	214.3
Short-term funds	100.5	123.8	137.3	81.8	120.6	55.0	63.4
U.S. Government and budget agency securities, privately held	51.5	46.8	29.9	75.7	78.0	151.7	191.5
Total uses	338.5	389.7	403.0	389.7	390.3	405.2	469.2
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	29.4	33.7	33.6	33.9	38.0	40.8	44.3
Private noninsured pension funds	16.5	16.0	15.9	20.8	21.5	25.2	26.6
State and local retirement funds	13.9	14.3	19.4	23.4	23.2	29.4	31.5
Fire and casualty insurance companies	19.3	19.2	17.5	14.4	12.7	12.6	14.0
Total	79.1	83.2	86.5	92.6	95.4	108.0	116.4
Thrift institutions							
Savings and loan associations	61.3	56.7	51.5	42.1	23.8	18.6	44.0
Mutual savings banks	11.7	8.6	4.8	5.3	—.2	—.5	6.2
Credit unions	8.2	8.3	2.0	—2.2	.8	1.2	5.0
Total	81.2	73.6	58.3	45.2	24.4	19.3	55.2
Investment companies	3.4	5.2	22.4	22.5	72.9	51.7	47.1
Other financial intermediaries							
Finance companies	19.4	20.9	24.1	11.8	22.6	3.8	9.1
Mortgage companies	3.7	2.6	—1.4	2.8	.2	2.0	1.7
Real estate investment trusts	—2.4	—1.1	—1.0	—.7	—1.1	—.8	—.5
Total	20.7	22.4	21.7	13.9	21.7	.4	10.3
Commercial banks	89.9	125.9	120.3	100.5	108.7	96.0	107.3
Business							
Business corporations	14.9	9.6	24.9	14.8	8.2	9.8	15.9
Noncorporate business	.5	1.4	1.8	.5	2.7	1.3	1.7
Total	15.4	11.0	26.7	15.3	10.9	11.1	17.6
Government							
U.S. Government	2.0	3.1	6.2	6.9	4.3	2.4	2.9
Federally sponsored agencies	2.9	13.8	19.8	18.0	14.0	13.3	10.0
State and local general funds	8.9	11.5	8.1	14.9	14.4	18.7	21.2
Total	13.8	28.4	34.1	39.8	32.8	34.4	34.1
Foreign investors	42.2	40.4	—3.2	28.2	21.9	27.3	30.5
Individuals and others	21.6	47.1	86.4	69.2	58.9	80.9	81.4
Total gross sources	367.2	437.3	453.2	427.2	447.7	429.1	499.9
Less: Funds raised by financial intermediaries							
Investment funds	11.2	9.2	10.0	8.2	—1.1	4.1	6.4
Short-term funds	11.5	14.5	16.7	5.2	28.4	2.6	9.5
Federally sponsored agency securities, privately held	6.0	23.9	23.6	24.1	30.1	17.2	14.8
Total	28.7	47.6	50.3	37.5	57.4	23.9	30.7
Total net sources	338.5	389.7	403.0	389.7	390.3	405.2	469.2

SUMMARY OF FINANCING — INVESTMENT FUNDS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Corporate securities							
Bonds	21.0	20.1	22.5	33.2	23.9	28.7	31.7
Stocks	2.7	—.1	—3.9	12.9	2.5	2.3	5.2
Total	23.7	20.0	18.6	46.1	26.4	31.0	36.9
State and local securities	21.9	28.4	29.8	35.9	32.9	57.3	51.5
Real estate mortgages	129.6	151.0	164.2	134.0	111.8	88.8	109.3
Foreign securities	5.5	3.7	4.8	3.1	5.5	5.0	5.6
Term loans							
Commercial banks	5.2	15.7	17.7	12.5	14.5	16.0	10.5
Banks for cooperatives	.5	.4	.6	.5	.6	.4	.5
Total	5.7	16.1	18.3	13.0	15.1	16.4	11.0
Total	186.4	219.1	235.7	232.2	191.7	198.5	214.3
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	26.3	28.4	25.9	23.5	18.8	21.3	27.7
Private noninsured pension funds	13.5	15.2	12.5	15.0	11.7	15.5	15.1
State and local retirement funds	10.2	9.4	12.3	13.1	15.5	19.7	21.4
Fire and casualty insurance companies	15.8	18.3	16.3	10.2	9.4	8.2	10.0
Total	65.8	71.4	67.0	61.7	55.4	64.7	74.2
Thrift institutions							
Savings and loan associations	56.9	56.2	48.7	35.7	22.9	11.3	34.8
Mutual savings banks	11.1	8.6	4.3	2.1	—2.5	—2.3	3.0
Credit unions	1.8	2.1	1	—.4	—.4	—.5	--
Total	69.7	66.9	53.1	37.4	19.9	8.5	37.8
Investment companies	2.2	1.1	2.7	6.6	9.6	29.3	32.3
Other financial intermediaries							
Mortgage companies	3.7	2.6	—1.4	2.8	.2	—2.6	1.7
Real estate investment trusts	—2.4	—1.1	—1.0	—.7	—1.1	—.8	—.5
Total	1.3	1.5	—2.4	2.1	—.9	—3.4	1.2
Commercial banks	44.1	61.6	59.8	45.0	41.4	36.1	32.2
Business corporations	--	.2	--	—.2	--	--	--
Government							
U.S. Government	2.0	3.1	6.2	6.9	4.3	2.4	2.9
Federally sponsored agencies	4.0	12.6	15.0	14.6	13.2	14.4	11.0
State and local general funds	1.5	1.9	6.0	10.9	7.6	4.7	6.0
Total	7.5	17.6	27.2	32.4	25.2	21.5	19.9
Foreign investors	3.6	3.1	3.5	10.7	12.5	14.8	10.0
Individuals and others	3.3	4.9	34.8	44.6	27.5	31.1	13.1
Total gross sources	197.6	228.3	245.7	240.4	190.6	202.6	220.7
Less: Funds raised by financial intermediaries							
Bonds	10.0	7.5	7.8	7.1	—.9	3.5	5.6
Stocks	1.2	1.7	2.2	1.1	—.2	.6	.8
Total	11.2	9.2	10.0	8.2	—1.1	4.1	6.4
Total net sources	186.4	219.1	235.7	232.2	191.7	198.5	214.3

SUMMARY OF FINANCING — SHORT-TERM FUNDS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Open market paper	5.3	11.9	21.8	15.8	33.1	7.5	10.8
Consumer credit	40.3	48.8	45.5	4.9	25.3	12.4	25.2
Policy loans	1.7	2.6	4.7	6.6	7.3	4.8	3.5
Loans of federally sponsored agencies	1.3	1.6	4.7	2.8	.8	—1.3	—1.0
Bank loans to business	19.3	24.8	33.8	21.5	43.2	24.7	11.0
Other bank loans	5.1	15.7	— .4	12.9	— .9	3.7	5.6
Other business credit							
Net trade credit	14.0	6.9	17.1	14.0	2.3	3.4	5.8
Finance company loans	13.5	11.5	10.1	3.4	9.5	—.2	2.5
Total	27.5	18.4	27.2	17.4	11.8	3.2	8.3
Total uses	100.5	123.8	137.3	81.8	120.6	55.0	63.4
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	1.6	3.7	6.0	8.5	13.9	11.8	7.3
Private noninsured pension funds	.3	.8	1.0	1.3	.7	- -	.5
Fire and casualty insurance companies	- -	- -	- -	2.0	1.0	1.9	1.0
Total	1.9	4.5	7.0	11.8	15.6	13.7	8.8
Thrift institutions							
Savings and loan associations	1.7	.8	4.2	4.6	.3	3.5	4.7
Mutual savings banks	.5	.9	1.2	1.9	1.5	1.3	1.4
Credit unions	6.4	6.7	2.2	—2.5	1.9	.8	3.5
Total	8.6	8.4	7.6	4.0	3.7	5.6	9.6
Investment companies	1.2	3.7	15.5	13.1	38.7	2.1	2.0
Finance companies	19.4	20.9	24.1	11.8	22.6	3.8	9.1
Commercial banks	48.9	65.3	54.2	30.4	56.0	33.4	29.6
Business							
Business corporations	21.3	13.9	24.8	16.2	7.0	7.7	11.5
Noncorporate business	.5	1.4	1.8	.5	2.7	1.3	1.7
Total	21.8	15.3	26.6	16.7	9.7	9.0	13.2
Federally sponsored agencies	1.3	1.6	4.7	2.8	.8	—1.3	—1.0
Foreign investors	4.4	7.9	6.9	4.4	.8	—.2	- -
Individuals and others	4.7	10.6	7.4	—7.9	1.1	—8.5	1.6
Total gross sources	112.0	138.3	154.0	87.0	149.0	57.6	72.9
Less: Funds raised by financial intermediaries							
Open market paper	9.6	14.6	18.0	4.8	20.9	- -	4.4
Financial bank loans	1.9	—.1	—1.3	.4	7.5	2.6	5.1
Total	11.5	14.5	16.7	5.2	28.4	2.6	9.5
Total net sources	100.5	123.8	137.3	81.8	120.6	55.0	63.4

U.S. GOVERNMENT AND AGENCY SECURITIES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
U.S. Government and budget agency securities, privately held							
U.S. Government securities	52.1	48.0	30.9	75.9	78.1	152.6	191.5
Budget agency securities	—.6	—1.2	—1.0	—.2	—.1	—.9	--
Total	51.5	46.8	29.9	75.7	78.0	151.7	191.5
Federally sponsored agency securities, privately held	6.0	23.9	23.6	24.1	30.1	17.2	14.8
U. S. Government and agency securities, privately held	57.5	70.7	53.5	99.8	108.1	168.9	206.3
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	1.6	1.7	1.8	2.0	5.4	7.7	9.3
Private noninsured pension funds	2.7	—.1	2.4	4.5	9.1	9.7	11.0
State and local retirement funds	3.7	4.9	7.1	10.3	7.7	9.7	10.1
Fire and casualty insurance companies	3.5	.9	1.2	2.3	2.3	2.5	3.0
Total	11.5	7.4	12.5	19.1	24.5	29.6	33.4
Thrift institutions							
Savings and loan associations	2.7	—.3	—1.4	1.8	.6	3.8	4.5
Mutual savings banks	.1	—1.0	—.6	1.3	.8	.5	1.8
Credit unions	—.1	—.5	—.3	.6	—.7	.9	1.5
Total	2.8	—1.8	—2.3	3.7	.8	5.2	7.8
Investment companies	—.1	.4	4.2	2.9	24.6	20.3	12.8
Commercial banks	—3.1	—1.0	6.3	25.1	11.3	26.5	45.5
Business corporations	—6.4	—4.5	.1	—1.2	1.2	2.1	4.4
Government							
Federally sponsored agencies	—2.5	—.4	.1	.6	--	.2	--
State and local general funds	7.4	9.6	2.1	4.0	6.8	14.0	15.2
Total	4.9	9.2	2.2	4.6	6.8	14.2	15.2
Foreign investors	34.2	29.5	—13.6	13.2	8.7	12.7	20.5
Individuals and others	13.7	31.5	44.1	32.5	30.3	58.3	66.7
Total	57.5	70.7	53.5	99.8	108.1	168.9	206.3

U.S. GOVERNMENT SECURITIES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
U.S. Government debt, publicly held	57.6	55.1	38.8	79.8	87.7	159.8	200.0
Less: Holdings of Federal Reserve banks	5.5	7.1	7.8	3.9	9.6	7.2	8.5
U.S. Government debt, privately held	52.1	48.0	30.9	75.9	78.1	152.6	191.5
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	—.1	—.5	.1	1.0	2.3	5.0	6.8
Private noninsured pension funds	2.1	—.1	1.4	4.1	7.6	9.0	10.5
State and local retirement funds	2.3	3.7	4.8	6.9	6.1	8.0	8.7
Fire and casualty insurance companies	3.2	.9	1.2	1.9	2.3	2.4	3.0
Total	7.6	4.0	7.5	13.9	18.4	24.4	29.0
Thrift institutions							
Savings and loan associations	1.4	—1.7	—1.5	.8	—.1	3.0	4.0
Mutual savings banks	.1	—1.0	—.3	.7	—.2	--	1.0
Credit unions	—.5	—.5	.3	.7	—.4	.9	1.3
Total	.9	—3.2	—1.5	2.2	—.7	3.9	6.3
Investment companies	—.1	.4	2.6	.7	18.9	18.0	11.3
Commercial banks	—1.9	—6.5	.4	15.9	1.9	20.2	40.0
Business corporations	—6.0	—5.2	1.4	—1.6	1.1	1.9	4.1
Government							
Federally sponsored agencies	—2.5	—.4	.1	.6	--	.2	--
State and local general funds	6.8	7.5	2.0	3.7	6.0	13.5	15.0
Total	4.3	7.1	2.1	4.3	6.0	13.7	15.0
Foreign investors	31.5	28.2	—14.1	10.6	7.1	12.5	20.0
Individuals and others	15.8	23.1	32.5	30.0	25.4	58.0	65.8
Total	52.1	48.0	30.9	75.9	78.1	152.6	191.5

Source: U.S. Treasury Department

FEDERAL AGENCY SECURITIES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Federally sponsored agencies							
Housing agencies:							
Federal home loan banks	1.5	9.2	5.8	7.9	16.8	3.0	2.0
Federal Home Loan Mortgage Corporation	--	.7	.4	—.4	1.0	.6	.5
Federal National Mortgage Association	1.3	9.2	7.4	6.7	3.6	11.0	6.0
Total	2.9	19.1	13.6	14.2	21.4	14.6	8.5
Farm credit agencies:							
Banks for cooperatives	.1	.4	—4.3	--	—.4	--	--
Federal intermediate credit banks	.7	.3	—8.8	—.9	—.4	—.5	--
Federal land banks	2.0	1.2	—4.4	—3.6	—2.6	—3.5	—2.8
Federal farm credit banks - system wide*	1.8	2.5	28.1	14.9	11.9	5.6	7.0
Total	4.6	4.5	10.7	10.4	8.4	1.6	4.2
Student Loan Marketing Association	--	--	--	--	.4	1.2	2.1
Total	7.4	23.6	24.3	24.7	30.3	17.4	14.8
Less: Federal Reserve banks	1.5	—.3	.7	.6	.2	—.2	--
Total, privately held	6.0	23.9	23.6	24.1	30.1	17.2	14.8
Budget agencies							
Export-Import Bank	—.4	—.9	—.7	--	--	—.3	--
Government National Mortgage Association	—.4	—.6	—.2	—.2	—.1	—.6	--
Tennessee Valley Authority	--	--	—.1	--	--	--	--
Total	—.8	—1.5	—1.1	—.2	—.2	—.9	--
Less: U.S. Government investment accounts	—.1	—.3	--	--	--	--	--
Federal Reserve banks	--	--	—.1	--	--	--	--
Total, privately held	—.6	—1.2	—1.0	—.2	—.1	—.9	--
Total	5.4	22.8	22.6	23.9	30.0	16.3	14.8
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	1.6	2.2	1.7	1.0	3.0	2.7	2.5
Private noninsured pension funds	.6	--	1.0	.4	1.5	.7	.5
State and local retirement funds	1.4	1.2	2.3	3.4	1.6	1.7	1.4
Fire and casualty insurance companies	.2	--	--	.4	--	.1	--
Total	3.8	3.4	5.0	5.3	6.1	5.2	4.4
Thrift institutions							
Savings and loan associations	1.3	1.4	.1	1.0	.7	.8	.5
Mutual savings banks	.1	--	—.4	.6	1.0	.5	.8
Credit unions	.5	--	—.6	--	—.3	--	.2
Total	1.9	1.4	—.8	1.5	1.5	1.3	1.5
Investment companies	--	--	1.6	2.2	5.6	2.3	1.5
Commercial banks	—1.2	5.5	6.0	9.2	9.4	6.3	5.5
Business corporations	—.4	.7	—1.3	.5	--	.2	.3
State and local general funds	.6	2.1	.1	.3	.8	.5	.2
Foreign investors	2.7	1.3	.5	2.6	1.6	.2	.5
Individuals and others	—2.0	8.3	11.5	2.4	5.1	.3	.9
Total	5.4	22.8	22.6	23.9	30.0	16.3	14.8

*Beginning in 1979, the farm credit agencies have consolidated their borrowing under the aegis of the Federal Farm Credit System.

T6 Source: U.S. Treasury Department, *Treasury Bulletin*.

CORPORATE BONDS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Issues offered for cash in U.S.							
Manufacturing	12.6	9.8	9.9	17.5	12.6	13.2	15.6
Petroleum and mining	1.3	1.4	1.2	1.4	2.1	1.4	1.2
Transportation	2.8	2.4	3.0	3.2	2.0	1.4	1.2
Electric, gas and water	7.7	7.0	8.3	9.6	8.9	11.3	11.8
Communication	3.1	3.4	4.2	6.8	4.4	2.3	2.0
Financial and real estate	11.6	9.9	11.4	12.6	12.5	16.2	17.7
Commercial and other	3.3	3.5	2.8	5.1	3.1	4.0	4.3
Total	42.3	37.4	40.8	56.3	45.6	49.8	53.8
Retirements and adjustments*	11.3	9.8	10.5	16.0	22.6	17.6	16.5
Net new issues**	31.0	27.6	30.3	40.3	23.0	32.2	37.3
Funds raised by:							
Financial intermediaries							
Finance companies	2.0	2.5	2.5	1.1	1.6	3.7	2.5
Real estate investment trusts	—.1	—.2	--	—.2	—.7	—.3	—.2
Commercial banks	2.3	1.1	2.4	2.3	1.8	4.5	2.8
Savings and loan associations	1.2	.7	1.4	.4	—.5	—.6	--
Other	4.6	3.4	1.5	3.5	—3.1	—3.8	.5
Total	10.0	7.5	7.8	7.1	—.9	3.5	5.6
Business corporations	21.0	20.1	22.5	33.2	23.9	28.7	31.7
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	16.9	15.9	11.3	8.1	6.3	11.2	15.5
Private noninsured pension funds	6.2	7.4	4.7	3.1	2.9	5.0	5.5
State and local retirement funds	5.3	4.7	6.9	6.3	6.0	8.5	9.0
Fire and casualty insurance companies	3.4	1.4	1.4	—1.8	2.0	2.2	3.2
Total	31.8	29.4	24.3	15.7	17.3	26.9	33.2
Mutual savings banks	1.2	--	—.8	.7	—1.0	—.7	.5
Investment companies	2.0	—.4	1.5	1.8	1.8	1.1	2.0
Commercial banks	--	—.3	—.1	.6	--	.4	.2
Foreign investors	1.0	.7	1.8	5.2	6.7	10.5	5.5
Individuals and others	—5.0	—1.8	3.6	16.3	—1.8	—6.0	—4.1
Total	31.0	27.6	30.3	40.3	23.0	32.2	37.3
MEMORANDUM							
Convertible bonds - offered for cash	.9	.4	.9	4.7	4.3	3.1	4.5

*Net of sales to affiliated companies, private sales to foreigners, sales to employees and issues of Netherlands Antilles subsidiaries.

**Includes net issues by Netherlands Antilles subsidiaries.

Source: Securities and Exchange Commission.

CORPORATE STOCKS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Issues offered for cash in U.S.							
Manufacturing	1.2	1.2	1.6	6.9	4.8	2.9	5.7
Petroleum and mining	1.3	1.7	2.0	3.5	7.0	7.0	6.5
Transportation	.5	.3	.3	.5	.7	.8	1.0
Electric, gas and water	6.1	5.3	5.4	6.3	5.6	6.4	5.5
Communication	1.4	.3	.5	.6	1.8	1.8	1.0
Financial and real estate	1.0	1.6	1.5	3.1	4.7	5.4	5.5
Commercial and other	.5	.5	1.0	1.8	2.2	1.9	2.0
Total	12.0	10.8	12.2	22.6	26.9	26.2	27.2
Retirements and adjustments*	8.1	9.2	13.9	8.6	24.6	23.3	21.2
Net new issues	3.9	1.6	—1.7	14.0	2.3	2.9	6.0
Funds raised by:							
Financial intermediaries							
Real estate investment trusts	.6	.6	.9	.7	—.7	--	--
Commercial banks	.6	1.1	1.3	.4	.5	.6	.8
Total	1.2	1.7	2.2	1.1	—.2	.6	.8
Business corporations	2.7	—.1	—3.9	12.9	2.5	2.3	5.2
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	1.9	.7	.6	.8	3.4	4.5	5.5
Private noninsured pension funds	4.4	5.3	6.1	9.6	7.3	9.0	8.0
State and local retirement funds	3.7	2.6	4.1	5.3	7.2	7.5	8.0
Fire and casualty insurance companies	1.9	3.4	5.0	4.1	2.5	.5	2.5
Total	12.0	12.0	15.9	19.8	20.3	21.5	24.0
Mutual savings banks	.4	--	--	—.5	—.6	—.1	--
Investment companies	—3.7	—1.6	—2.8	—1.8	—.6	2.5	3.5
Foreign investors	2.7	2.4	1.7	5.4	5.8	4.3	4.5
Individuals and others	—7.4	—11.3	—16.4	—8.9	—22.6	—25.3	—26.0
Total	3.9	1.6	—1.7	14.0	2.3	2.9	6.0

*Includes cash purchases in connection with mergers and acquisitions and is net of sales to affiliated companies, private sales to foreigners and sales to employees.

Source: Securities and Exchange Commission.

STATE AND LOCAL GOVERNMENT OBLIGATIONS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Long-term debt							
New offerings							
Industrial revenue bonds	4.3	4.1	4.2	4.4	6.9	8.5	7.0
Other	40.7	42.1	38.0	42.7	39.3	66.4	63.0
Total	45.1	46.2	42.3	47.1	46.1	74.9	70.0
Less: Retirements, refundings and adjustments*	20.3	18.4	13.5	14.3	17.1	20.9	21.0
Net	24.8	27.8	28.8	32.8	29.0	54.0	49.0
Short-term debt							
New offerings	21.3	21.6	20.9	26.5	34.4	42.9	48.0
Less: Retirements and adjustments*	24.2	21.0	19.9	23.4	30.5	39.6	45.5
Net	−2.9	.6	1.0	3.1	3.9	3.3	2.5
Total	21.9	28.4	29.8	35.9	32.9	57.3	51.5
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	.5	.4	--	.3	.4	.8	.2
State and local retirement funds	.2	.4	--	.2	--	.3	.4
Fire and casualty insurance companies	10.3	13.5	9.6	7.5	4.6	5.0	4.0
Total	11.0	14.2	9.7	8.0	5.0	6.1	4.6
Thrift institutions							
Savings and loan associations	--	.1	−.1	--	.1	−.2	--
Mutual savings banks	.4	.5	−.6	−.5	−.1	--	--
Total	.4	.6	−.7	−.5	--	−.2	--
Investment companies	3.9	3.1	4.0	6.6	8.4	25.7	26.8
Commercial banks	9.2	9.6	9.5	13.6	5.0	2.5	3.0
Business corporations	--	.2	--	−.2	--	--	--
State and local general funds	.6	−.7	−.5	.6	−.1	−.3	--
Individuals and others	−3.1	1.4	7.9	7.9	14.6	23.5	17.1
Total	21.9	28.4	29.8	35.9	32.9	57.3	51.5
MEMORANDUM							
Structures	31.0	37.5	40.3	45.4	42.9	40.5	40.0

*Residual; includes adjustments for issues offered in the calendar year before issuance.

Sources: Federal Reserve, Flow of Funds Accounts, Securities Industry Association, *The Daily Bond Buyer* and U.S. Department of Commerce, National Income Accounts.

TOTAL MORTGAGES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Residential mortgages							
Home	97.1	112.9	120.4	95.9	73.5	59.5	81.0
Multifamily	7.0	9.2	7.8	8.7	4.3	6.0	7.5
Total	104.1	122.1	128.2	104.6	77.8	65.5	88.5
Commercial mortgages	18.4	21.8	24.1	20.1	24.3	16.3	15.0
Farm mortgages	7.1	7.2	11.8	9.3	9.7	7.0	5.8
Total	129.6	151.0	164.2	134.0	111.8	88.8	109.3
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	5.3	9.7	13.4	13.4	6.8	3.8	5.3
Private noninsured pension funds	2.9	2.5	1.6	2.3	1.5	1.5	1.6
State and local retirement funds	1.0	1.7	1.3	1.3	2.3	3.4	4.0
Fire and casualty insurance companies	.1	--	.3	.3	.3	.5	.3
Total	9.3	13.9	16.5	17.3	10.9	9.2	11.2
Thrift institutions							
Savings and loan associations	56.9	56.1	48.8	35.7	22.8	11.5	34.8
Mutual savings banks	9.1	8.1	5.8	2.6	.8	-1.5	2.5
Credit unions	1.8	2.1	.1	-.4	-.4	-.5	--
Total	67.8	66.3	54.7	37.9	21.5	9.5	37.3
Other financial intermediaries							
Mortgage companies	3.7	2.6	-1.4	2.8	.2	-2.6	1.7
Real estate investment trusts	-2.4	-1.1	-1.0	-.7	-1.1	-.8	-.5
Total	1.3	1.5	-2.4	2.1	-.9	-3.4	1.2
Commercial banks	29.7	36.6	32.7	18.3	21.9	17.2	18.5
Government							
U.S. Government	2.0	3.1	6.2	6.9	4.3	2.4	2.9
Federally sponsored agencies	3.5	12.2	14.4	14.1	12.6	14.0	10.5
State and local general funds	.9	2.6	6.5	10.3	7.7	5.0	6.0
Total	6.4	17.9	27.1	31.3	24.6	21.4	19.4
Individuals and others	15.1	14.8	35.5	27.1	33.7	34.9	21.7
Total	129.6	151.0	164.2	134.0	111.8	88.8	109.3
MEMORANDUM							
Mortgage pools*							
Government National Mortgage Association	14.3	9.5	21.4	18.1	11.9	11.5	12.5
Farmers Home Administration	2.2	3.6	5.3	3.8	5.1	2.5	2.8
Federal Home Loan Mortgage Corporation	3.9	5.3	3.3	1.7	3.0	20.8	12.5
Federal National Mortgage Association	--	--	--	--	.7	13.2	7.0
Total	20.5	18.3	30.0	23.6	20.7	48.0	34.8

*Ownership of mortgage pools has been allocated among the investor groups.

HOME MORTGAGES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Total 1- to 4-family mortgages	97.1	112.9	120.4	95.9	73.5	59.5	81.0
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	—1.3	--	2.7	2.4	—.6	—.5	--
Private noninsured pension funds	2.7	2.1	1.3	1.3	1.1	1.2	1.5
State and local retirement funds	.2	.5	.2	--	--	.9	1.2
Total	1.6	2.6	4.2	3.7	.5	1.6	2.7
Thrift institutions							
Savings and loan associations	48.0	49.5	44.0	33.4	20.4	11.0	32.0
Mutual savings banks	7.2	6.3	5.8	3.4	.6	--	3.5
Credit unions	1.8	2.1	.1	—.4	—.4	—.5	--
Total	57.0	57.9	49.9	36.4	20.6	10.5	35.5
Other financial intermediaries							
Mortgage companies	5.2	3.1	—1.3	2.7	2.3	—1.4	1.5
Real estate investment trusts	—.2	—.2	—.2	—.1	—.1	—.3	--
Total	5.0	2.9	—1.5	2.6	2.2	—1.7	1.5
Commercial banks	20.8	25.5	21.9	11.4	10.1	7.2	11.5
Government							
U.S. Government	.9	1.0	1.8	2.5	1.9	1.0	1.1
Federally sponsored agencies	.5	9.0	9.2	7.6	5.0	9.8	5.5
State and local general funds	.6	2.0	4.9	8.3	5.8	2.8	3.8
Total	2.0	12.0	15.9	18.5	12.8	13.5	10.4
Individuals and others	10.7	11.9	30.0	23.3	27.4	28.3	19.4
Total	97.1	112.9	120.4	95.9	73.5	59.5	81.0
MEMORANDA							
Private residential construction put in place							
New housing units	65.7	75.8	78.6	63.1	62.7	51.5	64.3
Other	15.2	17.6	20.4	24.1	23.9	23.5	24.2
Total	81.0	93.4	99.0	87.3	86.6	75.0	88.5
	(in thousands of units)						
Private 1-family housing starts	1,451	1,433	1,194	852	705	661	895
Manufacturers' mobile home shipments	277	276	277	222	241	245	260

Sources: Federal Reserve, Federal Home Loan Bank Board, Bureau of the Census, U.S. Department of Commerce, Mobile Homes Manufacturers Association and Bankers Trust Company

MULTIFAMILY, COMMERCIAL AND FARM MORTGAGES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Multifamily mortgages*	7.0	9.2	7.8	8.7	4.3	6.0	7.5
Commercial mortgages	18.4	21.8	24.1	20.1	24.3	16.3	15.0
Farm mortgages	7.1	7.2	11.8	9.3	9.7	7.0	5.8
Total	32.5	38.2	43.7	38.1	38.3	29.3	28.3
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	6.7	9.7	10.6	11.0	7.4	4.3	5.3
Private noninsured pension funds	.1	.4	.3	1.0	.4	.3	.1
State and local retirement funds	.8	1.2	1.1	1.3	2.3	2.5	2.8
Fire and casualty insurance companies	.1	--	.3	.3	.3	.5	.3
Total	7.7	11.3	12.3	13.6	10.5	7.6	8.5
Thrift institutions							
Savings and loan associations	8.9	6.6	4.8	2.3	2.4	.5	2.8
Mutual savings banks	1.9	1.7	--	-.8	-1.4	-1.5	-1.0
Total	10.8	8.4	4.8	1.5	.9	-1.0	1.8
Other financial intermediaries							
Mortgage companies	-1.4	-.5	-.1	.1	-2.1	-1.2	.2
Real estate investment trusts	-2.2	-.9	-.8	-.6	-1.0	-.5	-.5
Total	-3.6	-1.4	-.9	-.5	-3.1	-1.7	-.3
Commercial banks	8.9	11.1	10.8	6.9	11.8	10.0	7.0
Government							
U.S. Government	1.1	2.0	4.4	4.4	2.4	1.4	1.8
Federally sponsored agencies	3.0	3.2	5.2	6.5	7.5	4.2	5.0
State and local general funds	.3	.5	1.7	2.0	1.8	2.2	2.2
Total	4.4	5.8	11.4	12.8	11.7	7.8	9.0
Individuals and others	4.4	3.1	5.3	3.8	6.4	6.6	2.3
Total	32.5	38.2	43.7	38.1	38.3	29.3	28.3
MEMORANDA							
Private multifamily housing starts (in thousands of units)	536	587	551	440	379	400	555
Commercial construction put in place	14.8	18.6	24.9	29.9	34.2	37.0	35.5

*Comprises mortgages on residential structures of five or more units.

Sources: Federal Reserve, Bureau of the Census, U.S. Department of Commerce and Bankers Trust Company.

OPEN MARKET PAPER

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Commercial paper	11.9	18.3	28.2	11.2	39.5	—.6	6.0
Bankers' acceptances	2.9	8.2	11.6	9.4	14.5	8.1	9.2
Total open market paper	14.9	26.5	39.8	20.6	54.0	7.5	15.2
Funds raised by							
Financial intermediaries							
Finance companies	7.1	6.4	11.7	.1	7.8	—3.7	.8
Real estate investment trusts	--	.1	.1	—.2	--	--	--
Commercial bank holding companies and other affiliates	1.4	6.6	4.5	5.6	7.0	.1	1.0
Other*	1.2	1.5	1.6	—.6	6.1	3.6	2.6
Total	9.6	14.6	18.0	4.8	20.9	--	4.4
Nonfinancial sectors							
Business corporations	2.2	3.9	9.7	5.7	16.9	—2.8	2.0
Foreigners	2.5	6.8	11.3	9.3	14.0	10.4	8.1
Noncorporate business	.6	1.2	.8	.8	2.2	—.1	.7
Total	5.3	11.9	21.8	15.8	33.1	7.5	10.8
FUNDS SUPPLIED							
Insurance companies and pension funds							
Life insurance companies	—.2	1.1	1.3	1.9	6.6	7.0	3.8
Private noninsured pension funds	.3	.8	1.0	1.3	.7	--	.5
Fire and casualty insurance companies	--	--	--	2.0	1.0	1.9	1.0
Total	.1	1.9	2.3	5.2	8.3	8.9	5.3
Thrift institutions							
Savings and loan associations	.2	.5	.5	2.0	.5	.8	1.3
Mutual savings banks	--	.2	1.1	1.5	1.8	1.0	1.0
Total	.2	.7	1.6	3.5	2.3	1.8	2.3
Investment companies	1.2	3.7	15.5	13.1	38.7	2.1	2.0
Commercial banks	.3	—1.3	2.2	1.8	.8	.4	.5
Business corporations	4.0	3.0	3.9	.5	2.0	3.0	3.5
Foreign investors	4.4	7.9	6.9	4.4	.8	—.2	--
Individuals and others	4.7	10.6	7.4	—7.9	1.1	—8.5	1.6
Total	14.9	26.5	39.8	20.6	54.0	7.5	15.2

*Includes retail captive finance companies, savings and loan associations and mortgage brokers.

Source: Federal Reserve Bank of New York.

CONSUMER CREDIT

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS RAISED							
Instalment credit							
Extensions - by type							
Automobile	75.6	88.0	93.9	83.5	94.4	95.2	106.0
Revolving bank credit	38.3	51.3	61.0	61.6	67.4	75.0	86.7
Gasoline credit card	14.6	16.0	18.0	22.3	24.9	23.0	24.0
Mobile home	5.7	5.4	6.5	5.1	6.0	5.2	6.2
All other	123.4	136.9	145.4	133.7	143.6	140.4	153.3
Total	257.6	297.7	324.8	306.1	336.3	338.8	376.2
Less: Liquidations	222.1	254.6	286.4	304.6	316.4	330.8	356.0
Net	35.5	43.1	38.4	1.4	19.9	8.0	20.2
Noninstalment credit*	4.8	5.7	7.1	3.5	5.4	4.4	5.0
Total consumer credit	40.3	48.8	45.5	4.9	25.3	12.4	25.2
FUNDS SUPPLIED							
Thrift institutions							
Savings and loan associations	1.5	.3	3.7	2.6	−.2	2.7	3.4
Mutual savings banks	.5	.7	.1	.4	−.3	.3	.4
Credit unions	6.4	6.7	2.2	−2.5	1.9	.8	3.5
Total	8.4	7.7	6.0	.5	1.4	3.8	7.3
Finance companies - instalment	5.9	9.4	14.0	8.4	13.1	4.0	6.6
Commercial banks							
Instalment	18.6	23.6	18.2	−7.2	2.3	.5	5.7
Noninstalment	3.6	2.6	1.7	1.0	3.1	1.5	1.7
Total	22.3	26.2	19.9	−6.2	5.4	2.0	7.4
Business corporations							
Instalment	3.1	2.8	2.7	1.2	.9	.3	1.0
Noninstalment	.2	1.2	1.1	.5	1.8	1.0	1.2
Total	3.3	4.0	3.8	1.7	2.7	1.3	2.2
Noncorporate business							
Instalment	−.1	--	--	−.1	.1	−.2	.1
Noninstalment	.6	1.4	1.8	.6	2.6	1.5	1.6
Total	.5	1.4	1.8	.5	2.7	1.3	1.7
Total	40.3	48.8	45.5	4.9	25.3	12.4	25.2

*Comprises single-payment loans to individuals, charge accounts and service credit.

Source: Federal Reserve.

SOURCES AND USES OF FUNDS — LIFE INSURANCE COMPANIES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
SOURCES OF FUNDS							
Income							
Premium receipts	72.3	78.8	84.9	94.2	107.7	119.0	134.0
Net investment income	21.7	25.3	29.6	33.9	39.8	45.8	51.0
Other income	4.0	4.2	4.7	4.3	4.4	4.5	4.6
Total	98.0	108.2	119.1	132.5	151.9	169.3	189.6
Outgo							
Benefit payments	46.8	50.5	56.7	64.2	73.7	88.1	103.8
Operating expenses, taxes and other	18.4	20.9	23.6	27.5	28.2	29.2	30.0
Total	65.2	71.4	80.2	91.7	101.8	117.3	133.8
Increase in admitted assets*	32.7	36.8	38.9	40.8	50.0	52.0	55.8
USES OF FUNDS							
Investment funds							
Corporate bonds	16.9	15.9	11.3	8.1	6.3	11.2	15.5
Corporate stocks	1.9	.7	.6	.8	3.4	4.5	5.5
State and local securities	.5	.4	- -	.3	.4	.8	.2
Foreign securities	1.7	1.8	.6	1.0	1.8	1.0	1.2
Total securities	20.9	18.7	12.5	10.1	12.0	17.5	22.4
Home mortgages	−1.3	- -	2.7	2.4	−.6	−.5	- -
Multifamily, commercial and farm mortgages	6.7	9.7	10.6	11.0	7.4	4.3	5.3
Total mortgages	5.3	9.7	13.4	13.4	6.8	3.8	5.3
Total	26.3	28.4	25.9	23.5	18.8	21.3	27.7
Short-term funds							
Open market paper	−.2	1.1	1.3	1.9	6.6	7.0	3.8
Policy loans	1.7	2.6	4.7	6.6	7.3	4.8	3.5
Total	1.6	3.7	6.0	8.5	13.9	11.8	7.3
U.S. Government and agency securities							
U.S. Government securities	−.1	−.5	.1	1.0	2.3	5.0	6.8
Federal agency securities	1.6	2.2	1.7	1.0	3.0	2.7	2.5
Total	1.6	1.7	1.8	2.0	5.4	7.7	9.3
Total funds	29.4	33.7	33.6	33.9	38.0	40.8	44.3
Real estate	.6	.7	1.2	2.0	3.2	3.2	3.0
Cash	.1	.2	.3	.5	1.1	.6	.8
Other - net	2.6	2.1	3.7	4.3	7.7	7.4	7.7
Total	32.7	36.8	38.9	40.8	50.0	52.0	55.8
MEMORANDUM							
Separate accounts*	2.6	2.6	3.3	6.2	10.2	10.2	10.6

*Net of appreciation or depreciation in market value.

Sources: American Council of Life Insurance, Federal Home Loan Bank Board and Government National Mortgage Association.

SOURCES AND USES OF FUNDS — PRIVATE NONINSURED PENSION FUNDS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
SOURCES OF FUNDS							
Employer contributions	26.5	30.5	34.0	38.0	41.5	44.2	48.0
Employee contributions	1.8	1.9	2.0	2.1	2.2	2.2	2.2
Investment income*	7.2	7.6	8.0	8.4	9.3	9.6	9.8
Total receipts	35.5	40.0	44.0	48.5	53.0	56.0	60.0
Benefit payments	16.5	18.2	20.0	22.5	25.0	27.8	30.6
Net receipts	19.0	21.8	24.0	26.0	28.0	28.2	29.4
USES OF FUNDS							
Investment funds							
Corporate bonds	6.2	7.4	4.7	3.1	2.9	5.0	5.5
Corporate stocks	4.4	5.3	6.1	9.6	7.3	9.0	8.0
Total securities	10.6	12.8	10.9	12.7	10.2	14.0	13.5
Home mortgages	2.7	2.1	1.3	1.3	1.1	1.2	1.5
Multifamily, commercial and farm mortgages	.1	.4	.3	1.0	.4	.3	.1
Total mortgages	2.9	2.5	1.6	2.3	1.5	1.5	1.6
Total	13.5	15.2	12.5	15.0	11.7	15.5	15.1
Open market paper	.3	.8	1.0	1.3	.7	--	.5
U.S. Government and agency securities							
U.S. Government securities	2.1	—.1	1.4	4.1	7.6	9.0	10.5
Federal agency securities	.6	--	1.0	.4	1.5	.7	.5
Total	2.7	—.1	2.4	4.5	9.1	9.7	11.0
Total funds	16.5	16.0	15.9	20.8	21.5	25.2	26.6
Cash	1.5	4.4	.5	.7	1.0	--	.3
Other - net	1.0	1.4	7.6	4.5	5.5	3.0	2.5
Total	19.0	21.8	24.0	26.0	28.0	28.2	29.4

*Includes minor amounts of other income.

Sources: Securities and Exchange Commission and Institute of Life Insurance.

SOURCES AND USES OF FUNDS — STATE AND LOCAL GOVERNMENTS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
Retirement Funds							
SOURCES OF FUNDS							
Government contributions	13.5	15.0	16.8	19.1	21.8	23.5	25.8
Employee contributions	5.8	6.3	6.7	7.1	7.6	7.8	8.2
Investment income	8.8	10.2	12.7	15.7	18.8	21.0	23.0
Total receipts	28.1	31.5	36.3	41.9	48.2	52.3	57.0
Benefit payments	10.5	12.0	13.3	15.0	17.0	19.0	21.0
Net receipts	17.6	19.5	23.0	26.9	31.2	33.3	36.0
USES OF FUNDS							
Investment funds							
Corporate bonds	5.3	4.7	6.9	6.3	6.0	8.5	9.0
Corporate stocks	3.7	2.6	4.1	5.3	7.2	7.5	8.0
State and local securities	.2	.4	--	.2	--	.3	.4
Total securities	9.2	7.7	11.0	11.8	13.2	16.3	17.4
Home mortgages	.2	.5	.2	--	--	.9	1.2
Multifamily mortgages	.8	1.2	1.1	1.3	2.3	2.5	2.8
Total mortgages	1.0	1.7	1.3	1.3	2.3	3.4	4.0
Total	10.2	9.4	12.3	13.1	15.5	19.7	21.4
U.S. Government and agency securities							
U.S. Government securities	2.3	3.7	4.8	6.9	6.1	8.0	8.7
Federal agency securities	1.4	1.2	2.3	3.4	1.6	1.7	1.4
Total	3.7	4.9	7.1	10.3	7.7	9.7	10.1
Total funds	13.9	14.3	19.4	23.4	23.2	29.4	31.5
Cash	.3	.9	1.3	.6	.3	.1	.2
Other	1.5	2.5	2.8	.8	2.9	2.0	2.3
Total	15.7	17.7	23.5	24.8	26.4	31.5	34.0
Discrepancy - sources less uses	1.9	1.8	—.5	2.1	4.8	1.8	2.0
General Funds							
USES OF FUNDS							
Investment funds							
State and local securities	.6	—.7	—.5	.6	—.1	—.3	--
Home mortgages	.6	2.0	4.9	8.3	5.8	2.8	3.8
Multifamily, commercial and farm mortgages	.3	.5	1.7	2.0	1.8	2.2	2.2
Total mortgages	.9	2.6	6.5	10.3	7.7	5.0	6.0
Total	1.5	1.9	6.0	10.9	7.6	4.7	6.0
U.S. Government and agency securities							
U.S. Government securities*	6.8	7.5	2.0	3.7	6.0	13.5	15.0
Federal agency securities	.6	2.1	.1	.3	.8	.5	.2
Total	7.4	9.6	2.1	4.0	6.8	14.0	15.2
Total funds	8.9	11.5	8.1	14.9	14.4	18.7	21.2

*Does not include securities held under repurchase agreements.

Sources: U.S. Department of Commerce, National Income Accounts; Federal Reserve, Flow of Funds Accounts; Bureau of the Census, *Governmental Finance*; U.S. Treasury Department, *Treasury Bulletin*; U.S. Department of Housing and Urban Development, *The Supply of Mortgage Credit*.

SOURCES AND USES OF FUNDS — FIRE AND CASUALTY COMPANIES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
SOURCES OF FUNDS							
Unearned premium reserves	3.5	2.9	3.0	2.1	1.8	1.7	2.7
Loss reserves	10.2	12.4	12.6	11.2	9.5	9.5	11.0
Policyholders' surplus*	6.2	5.9	5.3	5.5	5.8	5.0	4.5
Total	19.9	21.3	20.9	18.7	17.1	16.2	18.2
USES OF FUNDS							
Investment funds							
Corporate bonds	3.4	1.4	1.4	—1.8	2.0	2.2	3.2
Corporate stocks	1.9	3.4	5.0	4.1	2.5	.5	2.5
State and local securities	10.3	13.5	9.6	7.5	4.6	5.0	4.0
Total securities	15.7	18.3	16.1	9.8	9.0	7.7	9.7
Commercial mortgages	.1	--	.3	.3	.3	.5	.3
Total	15.8	18.3	16.3	10.2	9.4	8.2	10.0
Open market paper	--	--	--	2.0	1.0	1.9	1.0
U.S. Government and agency securities							
U.S. Government securities	3.2	.9	1.2	1.9	2.3	2.4	3.0
Federal agency securities	.2	--	--	.4	--	.1	--
Total	3.5	.9	1.2	2.3	2.3	2.5	3.0
Total funds	19.3	19.2	17.5	14.4	12.7	12.6	14.0
Cash	.3	.4	.2	.1	.2	.1	.2
Other - net	.4	1.6	3.1	4.2	4.2	3.5	4.0
Total	19.9	21.3	20.9	18.7	17.1	16.2	18.2

*Net of appreciation or depreciation in market value.

Sources: Alfred M. Best Company, Inc., *Best's Fire and Casualty Aggregates and Averages*, annual editions, and U.S. Treasury Department.

SOURCES AND USES OF FUNDS — SAVINGS AND LOAN ASSOCIATIONS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
SOURCES OF FUNDS							
Savings capital	51.0	44.9	39.3	42.1	13.7	38.9	44.0
Repurchase agreements	1.9	2.1	.5	2.1	7.6	7.7	1.5
Net worth	3.2	3.9	3.6	.7	—4.9	—6.0	1.7
Federal home loan bank advances	4.2	12.0	8.5	6.6	15.7	2.2	2.0
Bonds	1.2	.7	1.4	.4	—.5	—.6	--
Bank loans	1.0	—.5	.4	—.4	—.1	—.5	--
Total	62.6	63.1	53.7	51.4	31.5	41.7	49.2
USES OF FUNDS							
Investment funds							
State and local securities	--	.1	—.1	--	.1	—.2	--
Home mortgages	48.0	49.5	44.0	33.4	20.4	11.0	32.0
Multifamily, commercial and farm mortgages	8.9	6.6	4.8	2.3	2.4	.5	2.8
Total mortgages	56.9	56.1	48.8	35.7	22.8	11.5	34.8
Total	56.9	56.2	48.7	35.7	22.9	11.3	34.8
Short-term funds							
Open market paper	.2	.5	.5	2.0	.5	.8	1.3
Consumer credit	1.5	.3	3.7	2.6	—.2	2.7	3.4
Total	1.7	.8	4.2	4.6	.3	3.5	4.7
U.S. Government and agency securities							
U.S. Government securities	1.4	—1.7	—1.5	.8	—.1	3.0	4.0
Federal agency securities	1.3	1.4	.1	1.0	.7	.8	.5
Total	2.7	—.3	—1.4	1.8	.6	3.6	4.5
Total funds	61.3	56.7	51.5	42.1	23.8	18.6	44.0
Cash and equivalents*	.5	5.4	2.5	7.8	3.7	10.9	2.7
Other - net**	.7	1.0	—.3	1.6	4.0	12.2	2.5
Total	62.6	63.1	53.7	51.4	31.5	41.7	49.2

*Includes CDs, Federal funds, securities purchased on resale agreements and other short-term paper.
**1981 and 1982 data include growth of goodwill accounts in connection with merger activity.

Sources: Federal Savings and Loan Insurance Corporation, Federal Home Loan Bank Board, Federal Reserve Flow of Funds Accounts and Government National Mortgage Association.

SOURCES AND USES OF FUNDS — MUTUAL SAVINGS BANKS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
SOURCES OF FUNDS							
Deposits	11.0	7.9	3.0	7.0	.8	3.8	8.5
Capital	.9	.9	.8	—.2	—1.4	—.6	- -
Total	12.0	8.8	3.8	6.8	—.6	3.2	8.5
USES OF FUNDS							
Investment funds							
Corporate bonds	1.2	- -	—.8	.7	—1.0	—.7	.5
Corporate stocks	.4	- -	- -	—.5	—.6	—.1	- -
State and local securities	.4	.5	—.6	—.5	—.1	- -	- -
Total securities	1.9	.6	—1.5	—.4	—1.7	—.8	.5
Home mortgages	7.2	6.3	5.8	3.4	.6	- -	3.5
Multifamily, commercial and farm mortgages	1.9	1.7	- -	—.8	—1.4	—1.5	—1.0
Total mortgages	9.1	8.1	5.8	2.6	—.8	—1.5	2.5
Total	11.1	8.6	4.3	2.1	—2.5	—2.3	3.0
Short-term funds							
Open market paper	- -	.2	1.1	1.5	1.8	1.0	1.0
Consumer credit	.5	.7	.1	.4	—.3	.3	.4
Total	.5	.9	1.2	1.9	1.5	1.3	1.4
U.S. Government and agency securities							
U.S. Government securities*	.1	—1.0	—.3	.7	—.2	- -	1.0
Federal agency securities	.1	- -	—.4	.6	1.0	.5	.8
Total	.1	—1.0	—.6	1.3	.8	.5	1.8
Total funds	11.7	8.6	4.8	5.3	—.2	—.5	6.2
Cash	- -	1.3	—.5	1.2	1.1	1.5	.9
Other - net	.2	—1.0	—.5	.3	—1.6	2.2	1.4
Total	12.0	8.8	3.8	6.8	—.6	3.2	8.5

*Does not include securities held under repurchase agreements.

Sources: National Association of Mutual Savings Banks, Federal Home Loan Bank Board, Federal Reserve, Flow of Funds Accounts and Government National Mortgage Association.

SOURCES AND USES OF FUNDS — CREDIT UNIONS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
SOURCES OF FUNDS							
Share capital and deposits	7.4	7.0	3.9	3.9	2.0	5.3	7.0
Surplus and reserves	.3	.6	.4	.2	.8	.2	.6
Total	7.7	7.6	4.4	4.1	2.8	5.5	7.6
USES OF FUNDS							
Home mortgages	1.8	2.1	.1	—.4	—.4	—.5	--
Consumer credit	6.4	6.7	2.2	—2.5	1.9	.8	3.5
U.S. Government and agency securities							
U.S. Government securities	—.5	—.5	.3	.7	—.4	.9	1.3
Federal agency securities	.5	--	—.6	--	—.3	--	.2
Total	—.1	—.5	—.3	.6	—.7	.9	1.5
Total funds	8.2	8.3	2.0	—2.2	.8	1.2	5.0
Other - net*	—.4	—.7	2.4	6.3	2.0	4.3	2.6
Total	7.7	7.6	4.4	4.1	2.8	5.5	7.6

*Includes certificates of deposit.

Sources: National Credit Union Administration, U.S. Department of Health, Education and Welfare, Federal Reserve and Government National Mortgage Association.

SOURCES AND USES OF FUNDS — INVESTMENT COMPANIES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
SOURCES OF FUNDS							
Unit investment trusts - units issued	3.5	3.0	3.4	4.9	5.7	13.8	14.5
Money market funds* - net assets	2	7.0	34.6	30.7	109.7	38.2	26.0
Conventional mutual funds							
Sales of capital shares	6.4	6.7	6.8	10.0	9.7	15.5	18.0
Less: Redemptions	6.0	7.2	8.0	8.2	7.5	7.5	7.8
Net sales of capital shares	.4	−.5	−1.2	1.8	2.2	8.0	10.2
Total	4.0	9.5	36.9	37.3	117.7	60.0	50.7
USES OF FUNDS							
Investment funds							
Corporate bonds	2.0	−.4	1.5	1.8	1.8	1.1	2.0
Corporate stocks	−3.7	−1.6	−2.8	−1.8	−.6	2.5	3.5
State and local securities	3.9	3.1	4.0	6.6	8.4	25.7	26.8
Total	2.2	1.1	2.7	6.6	9.6	29.3	32.3
Open market paper	1.2	3.7	15.5	13.1	38.7	2.1	2.0
U.S. Government and agency securities							
U.S. Government securities	−.1	.4	2.6	.7	18.9	18.0	11.3
Federal agency securities	--	--	1.6	2.2	5.6	2.3	1.5
Total	−.1	.4	4.2	2.9	24.6	20.3	12.8
Total funds	3.4	5.2	22.4	22.5	72.9	51.7	47.1
Certificates of deposit	.3	3.5	12.8	9.7	34.9	5.8	1.8
Other - net	.4	.8	1.7	5.1	9.8	2.5	1.8
Total	4.0	9.5	36.9	37.3	117.7	60.0	50.7

*Includes limited maturity tax-exempt funds.

Sources: Investment Company Institute and Federal Reserve, Flow of Funds Accounts.

SOURCES AND USES OF FUNDS — OTHER FINANCIAL INTERMEDIARIES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
Finance Companies							
SOURCES OF FUNDS							
Cash flow							
Retained profits	2.8	3.3	4.1	.5	3.4	1.7	2.0
Reserves	1.6	2.0	3.9	3.0	5.6	2.7	3.2
Total	4.4	5.3	8.0	3.5	9.0	4.4	5.2
Corporate bonds	2.0	2.5	2.5	1.1	1.6	3.7	2.5
Short-term funds							
Open market paper	7.1	6.4	11.7	.1	7.8	—3.7	.8
Bank loans	.6	1.1	1.9	1.0	.6	- -	.4
Total	7.7	7.5	13.6	1.1	8.4	—3.7	1.2
Total	14.1	15.3	24.1	5.7	19.0	4.4	8.9
USES OF FUNDS							
Consumer credit	5.9	9.4	14.0	8.4	13.1	4.0	6.6
Loans to business							
Retail auto	2.6	2.2	.4	—3.1	—1.4	1.1	1.3
Wholesale auto	3.2	.8	1.0	—1.6	.9	—1.1	- -
Retail paper	2.2	2.3	2.1	4.6	4.5	.1	.5
All other	5.5	6.2	6.5	3.5	5.5	—.3	.7
Total	13.5	11.5	10.1	3.4	9.5	—.2	2.5
Total funds	19.4	20.9	24.1	11.8	22.6	3.8	9.1
Other - net	—5.3	—5.6	- -	—6.1	—3.6	.6	—.2
Total	14.1	15.3	24.1	5.7	19.0	4.4	8.9
Real Estate Investment Trusts							
SOURCES OF FUNDS							
Long-term funds							
Corporate bonds	—.1	—.2	- -	—.2	—.7	—.3	—.2
Corporate stocks	.6	.6	.9	.7	—.7	- -	- -
Mortgages	- -	.1	- -	—.1	—.5	—.2	—.2
Total	.5	.5	.9	.4	—1.9	—.5	—.4
Short-term funds							
Open market paper	- -	.1	.1	—.2	- -	- -	- -
Bank loans	—2.4	—1.4	—1.4	—1.7	1.5	- -	—.1
Total	—2.4	—1.3	—1.3	—1.9	1.5	- -	—.1
Total	—1.9	—.8	—.4	—1.5	—.4	—.5	—.5
USES OF FUNDS							
Mortgages							
Home mortgages	—.2	—.2	—.2	—.1	—.1	—.3	- -
Multifamily, commercial and farm mortgages	—2.2	—.9	—.8	—.6	—1.0	—.5	—.5
Total	—2.4	—1.1	—1.0	—.7	—1.1	—.8	—.5
Other - net	.5	.3	.6	—.8	.7	.3	- -
Total	—1.9	—.8	—.4	—1.5	—.4	—.5	—.5

Sources: Federal Reserve, Flow of Funds Accounts.

SOURCES OF FUNDS — COMMERCIAL BANKS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
Internal sources							
Retained profits	5.3	6.7	7.9	9.4	10.6	11.8	12.4
Valuation reserves	.6	1.0	1.3	1.0	1.5	1.7	1.5
Total	5.9	7.7	9.2	10.4	12.1	13.5	13.9
Net new security issues							
Bonds	2.3	1.1	2.4	2.3	1.8	4.5	2.8
Stocks	.6	1.1	1.3	.4	.5	.6	.8
Total	2.9	2.2	3.7	2.7	2.3	5.1	3.6
Deposits - net							
Checkable, excluding U.S. Government	20.2	18.5	26.1	7.5	9.8	19.0	21.0
U.S. Government - demand*	4.3	6.8	.4	−2.6	−1.1	--	--
Large time	26.1	50.8	12.0	50.7	51.4	22.0	12.0
Other time and savings	28.1	11.1	31.2	41.5	40.4	68.5	91.7
Total	78.7	87.2	69.7	97.1	100.5	109.5	124.7
Other sources of funds							
Federal funds and RPs	9.0	20.0	15.6	18.3	14.4	18.0	5.0
Open market paper	1.4	6.6	4.5	5.6	7.0	.1	1.0
Other liabilities**	−.5	20.2	29.9	−26.7	−2.0	−29.5	−18.0
Total	9.9	46.8	50.0	−2.8	19.4	−11.4	−12.0
Total	97.4	143.9	132.6	107.4	134.3	116.7	130.2

*Includes Treasury tax and loan notes.
**Eurodollar borrowings, changes in miscellaneous liabilities after adjustments, changes in interbank claims and borrowing at the Federal Reserve.

Sources: Federal Reserve, Flow of Funds Accounts, Federal Deposit Insurance Corporation and Bankers Trust Company.

Note: Bonds and open market paper include liabilities of bank holding companies.

USES OF FUNDS — COMMERCIAL BANKS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
Investment funds							
Corporate bonds	--	—.3	—.1	.6	--	.4	.2
State and local securities	9.2	9.6	9.5	13.6	5.0	2.5	3.0
Total securities	9.2	9.3	9.4	14.2	5.0	2.9	3.2
Home mortgages	20.8	25.5	21.9	11.4	10.1	7.2	11.5
Multifamily, commercial and farm mortgages	8.9	11.1	10.8	6.9	11.8	10.0	7.0
Total mortgages	29.7	36.6	32.7	18.3	21.9	17.2	18.5
Term loans to business corporations	5.2	15.7	17.7	12.5	14.5	16.0	10.5
Total	44.1	61.6	59.8	45.0	41.4	36.1	32.2
Short-term funds							
Business loans:							
Business corporations	15.6	14.6	26.2	15.3	28.3	20.5	5.0
Noncorporate business, including farm	3.4	2.8	3.4	3.9	7.6	7.7	5.0
Foreigners	.3	7.4	4.2	2.3	7.3	—3.5	1.0
Total business loans	19.3	24.8	33.8	21.5	43.2	24.7	11.0
Financial loans:							
Finance companies	.6	1.1	1.9	1.0	.6	--	.4
Real estate investment trusts	—2.4	—1.4	—1.4	—1.7	1.5	--	—.1
Savings and loan associations	1.0	—.5	.4	—.4	—.1	—.5	--
Other	.5	3.6	—1.3	.7	.2	1.0	1.5
Loans on securities	2.2	—2.9	—.9	.8	5.3	2.1	3.3
Total financial loans	1.9	—.1	—1.3	.4	7.5	2.6	5.1
Other:							
Open market paper	.3	—1.3	2.2	1.8	.8	.4	.5
Consumer credit	22.3	26.2	19.9	—6.2	5.4	2.0	7.4
Other loans	5.1	15.7	—.4	12.9	—.9	3.7	5.6
Total other	27.7	40.6	21.7	8.5	5.3	6.1	13.5
Total	48.9	65.3	54.2	30.4	56.0	33.4	29.6
U.S. Government and agency securities							
U.S. Government securities	—1.9	—6.5	.4	15.9	1.9	20.2	40.0
Federal agency securities	—1.2	5.5	6.0	9.2	9.4	6.3	5.5
Total	—3.1	—1.0	6.3	25.1	11.3	26.5	45.5
Total funds	89.9	125.9	120.3	100.5	108.7	96.0	107.3
Other financial assets							
Vault cash and member bank reserves	3.5	5.9	1.6	—1.0	—3.4	3.0	3.5
Other	4.0	12.1	10.8	7.9	29.0	17.7	19.4
Total	7.5	18.0	12.3	6.9	25.6	20.7	22.9
Total	97.4	143.9	132.6	107.4	134.3	116.7	130.2

Sources: Federal Reserve, Flow of Funds Accounts and Federal Trade Commission.

Note: Includes banks chartered in the United States and their domestic affiliates, Edge Act corporations, and agencies and branches of foreign banks.

SOURCES OF FUNDS — BUSINESS CORPORATIONS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
Cash flow							
Undistributed profits*	69.8	82.5	97.9	87.4	78.5	40.0	48.7
Capital consumption allowances**	103.7	117.1	134.0	153.1	177.1	205.0	228.0
Total	173.5	199.6	231.9	240.5	255.6	245.0	276.7
Long-term funds							
Net new bond issues	21.0	20.1	22.5	33.2	23.9	28.7	31.7
Net new stock issues	2.7	—.1	—3.9	12.9	2.5	2.3	5.2
Total net new issues	23.7	20.0	18.6	46.1	26.4	31.0	36.9
Mortgages	3.5	4.2	1.4	2.0	—1.1	.8	1.2
Industrial revenue bonds	4.3	4.1	4.2	4.4	6.9	8.5	7.0
Term bank loans	5.2	15.7	17.7	12.5	14.5	16.0	10.5
Total	36.7	44.0	41.9	65.0	46.7	56.3	55.6
Short-term funds							
Open market paper	2.2	3.9	9.7	5.7	16.9	—2.8	2.0
Short-term bank loans	15.6	14.6	26.2	15.3	28.3	20.5	5.0
Finance company loans	13.5	11.5	10.2	3.1	8.7	—.2	2.5
Total	31.3	30.0	46.1	24.1	53.9	17.5	9.5
Other short-term sources							
Unpaid taxes	—1.3	3.4	--	—6.7	—7.6	—10.0	--
Direct foreign investment in U.S.	3.7	7.9	11.9	13.7	21.3	9.0	9.4
U.S. Government loans	--	1.7	1.2	1.5	1.2	1.2	1.3
Total	2.4	13.0	13.1	8.5	14.9	.2	10.7
Total sources	243.9	286.6	333.0	338.1	371.1	319.0	352.5
MEMORANDA							
Bank loans							
Term	5.2	15.7	17.7	12.5	14.5	16.0	10.5
Short-term	15.6	14.6	26.2	15.3	28.3	20.5	5.0
Total	20.8	30.3	43.9	27.8	42.8	36.5	15.5
Corporate profits							
Profits before taxes	194.7	229.1	252.7	242.4	232.1	174.1	197.5
Tax liability	72.7	83.2	87.6	84.7	81.2	57.8	66.0
Profits after taxes	122.0	145.9	165.1	157.8	150.9	116.3	131.5
Cash dividends	40.8	47.0	52.7	58.1	65.1	70.0	74.5
Undistributed profits	81.2	98.9	112.4	99.7	85.8	46.3	57.0
Nonfinancial corporations	69.8	82.5	97.9	87.4	78.5	40.0	48.7
Financial corporations	11.4	16.4	14.5	12.3	7.3	6.3	8.3

*Includes foreign branch profits.
**Before capital consumption adjustment.

Sources: Federal Reserve, Flow of Funds Accounts and U.S. Department of Commerce, National Income Accounts.

USES OF FUNDS — BUSINESS CORPORATIONS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
Short-term funds							
Open market paper	4.0	3.0	3.9	.5	2.0	3.0	3.5
Consumer credit	3.3	4.0	3.8	1.7	2.7	1.3	2.2
Net trade credit	14.0	6.9	17.1	14.0	2.3	3.4	5.8
Total	21.3	13.9	24.8	16.2	7.0	7.7	11.5
U.S. Government and agency securities							
U.S. Government securities*	—6.0	—5.2	1.4	—1.6	1.1	1.9	4.1
Federal agency securities	—.4	.7	—1.3	.5	--	.2	.3
Total	—6.4	—4.5	.1	—1.2	1.2	2.1	4.4
State and local securities	--	.2	--	—.2	--	--	--
Total funds	14.9	9.6	24.9	14.8	8.2	9.8	15.9
Physical assets							
Plant and equipment	149.2	174.3	204.3	218.4	241.4	240.5	239.0
Residential structures	3.5	2.4	1.8	1.5	.9	2.5	2.8
Inventories - book value	36.1	47.5	52.1	38.6	38.4	—6.0	12.5
Total	188.8	224.2	258.2	258.5	280.7	237.0	254.3
Cash assets	8.9	5.6	12.5	10.1	14.5	7.5	8.5
Other assets							
Investment abroad**	11.5	15.7	26.6	21.9	12.3	7.2	7.5
Miscellaneous assets***	13.7	16.3	15.8	23.4	9.9	17.2	16.8
Total	25.2	32.0	42.4	45.3	22.2	24.4	24.3
Total uses	237.8	271.4	338.0	328.7	325.6	278.7	303.0
Discrepancy - sources less uses	6.1	15.2	—5.0	9.4	45.5	40.3	49.5
MEMORANDUM							
Growth of liquid assets	3.7	9.8	19.1	15.8	17.7	15.4	20.2

*Does not include securities held under repurchase agreements.
**Net of bond issues abroad.
***Includes securities held under repurchase agreements.

Sources: Federal Reserve, Flow of Funds Accounts and U.S. Department of Commerce, National Income Accounts and U.S. Balance of Payments.

FUNDS SUPPLIED — U.S. GOVERNMENT AGENCIES

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
U.S. Government and Budget Agencies							
Mortgages							
Home mortgages	.9	1.0	1.8	2.5	1.9	1.0	1.1
Multifamily and farm mortgages	1.1	2.0	4.4	4.4	2.4	1.4	1.8
Total	2.0	3.1	6.2	6.9	4.3	2.4	2.9
Other loans of the Federal Financing Bank*	7.7	9.1	10.8	16.3	18.1	15.2	15.0
Total	9.7	12.2	17.0	23.2	22.4	17.6	17.9
Federally Sponsored Agencies							
Investment funds							
Home mortgages	.5	9.0	9.2	7.6	5.0	9.8	5.5
Multifamily and farm mortgages	3.0	3.2	5.2	6.5	7.5	4.2	5.0
Total mortgages	3.5	12.2	14.4	14.1	12.6	14.0	10.5
Term loans by banks for cooperatives	.5	.4	.6	.5	.6	.4	.5
Total	4.0	12.6	15.0	14.6	13.2	14.4	11.0
Short-term funds							
Loans by banks for cooperatives	.2	.1	1.4	.9	—1.0	—.7	—1.0
Loans by Federal intermediate credit banks	1.2	1.5	3.3	1.9	1.8	—.6	--
Total	1.3	1.6	4.7	2.8	.8	—1.3	—1.0
U.S. Government securities**	—2.5	—.4	.1	.6	--	.2	--
Total funds	2.9	13.8	19.8	18.0	14.0	13.3	10.0
FHLB advances to savings and loan associations	4.2	12.0	8.5	6.6	15.7	2.2	2.0
Total	7.1	25.9	28.2	24.6	29.8	15.5	12.0

*Other than mortgage funds.
**Does not include securities held under repurchase agreements.

Sources: Federal Home Loan Bank Board, U.S. Treasury, *Treasury Bulletin* and Farm Credit Administration, *Annual Report*.

ACTIVITY OF FOREIGNERS IN U.S. CREDIT AND CAPITAL MARKETS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
SOURCES OF FUNDS							
Net sales of securities							
Foreign bonds	5.1	4.2	4.0	1.0	5.4	5.0	5.2
Foreign stocks	.4	—.5	.8	2.1	--	--	.4
Total	5.5	3.7	4.8	3.1	5.5	5.0	5.6
Loans from commercial banks							
To business	.3	7.4	4.2	2.3	7.3	—3.5	1.0
To banks	2.7	9.5	—4.1	4.7	—4.5	—1.7	—1.0
To official institutions	.1	2.1	2.1	4.5	.8	.5	.5
Total	3.1	19.1	2.3	11.5	3.7	—4.7	.5
Open market paper	2.5	6.8	11.3	9.3	14.0	10.4	8.1
Total	11.1	29.6	18.4	23.9	23.2	10.7	14.2
USES OF FUNDS							
Investment funds							
Corporate bonds	1.0	.7	1.8	5.2	6.7	10.5	5.5
Corporate stocks	2.7	2.4	1.7	5.4	5.8	4.3	4.5
Total	3.6	3.1	3.5	10.7	12.5	14.8	10.0
Open market paper	4.4	7.9	6.9	4.4	.8	—.2	--
U.S. Government and agency securities							
U.S. Government securities	31.5	28.2	—14.1	10.6	7.1	12.5	20.0
Federal agency securities	2.7	1.3	.5	2.6	1.6	.2	.5
Total	34.2	29.5	—13.6	13.2	8.7	12.7	20.5
Total funds	42.2	40.4	—3.2	28.2	21.9	27.3	30.5

Sources: U.S. Treasury Department, *Treasury Bulletin*; U.S. Department of Commerce, U.S. Balance of Payments and Federal Reserve, Flow of Funds Accounts.

INDIVIDUALS AND OTHERS

(in billions of dollars)

	1977	1978	1979	1980	1981	1982 (est.)	1983 (proj.)
FUNDS SUPPLIED							
Investment funds							
Corporate bonds	—5.0	—1.8	3.6	16.3	—1.8	—6.0	—4.1
Corporate stocks	—7.4	—11.3	—16.4	—8.9	—22.6	—25.3	—26.0
State and local securities	—3.1	1.4	7.9	7.9	14.6	23.5	17.1
Foreign securities	3.8	1.8	4.3	2.2	3.6	4.0	4.4
Total securities	—11.7	—9.9	—.7	17.5	—6.2	—3.8	—8.6
Home mortgages	10.7	11.9	30.0	23.3	27.4	28.3	19.4
Multifamily, commercial and farm mortgages	4.4	3.1	5.3	3.8	6.4	6.6	2.3
Total mortgages	15.1	14.8	35.5	27.1	33.7	34.9	21.7
Total	3.3	4.9	34.8	44.6	27.5	31.1	13.1
Short-term funds - open market paper	4.7	10.6	7.4	—7.9	1.1	—8.5	1.6
U.S. Government and agency securities							
U.S. Government securities	15.8	23.1	32.5	30.0	25.4	58.0	65.8
Federal agency securities	—2.0	8.3	11.5	2.4	5.1	.3	.9
Total	13.7	31.5	44.1	32.5	30.3	58.3	66.7
Total funds	21.6	47.1	86.4	69.2	58.9	80.9	81.4